



Loan Origination Reference Guide

**Denver Regional Loan Center
155 Van Gordon Street
Lakewood, Colorado 80228**

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Table of Contents

| | |
|---|----|
| The VA Home Loan Program | |
| Introduction | 6 |
| Eligible Loan Purposes and Loan Types | 7 |
| Advantages of VA Guaranteed Home Loans | 8 |
| Nature of the VA Home Loan Program | 9 |
| Loan Processing Steps | 10 |
| VA Home Loan Guaranty Program | 11 |
| Advantages of the Veterans Information Portal | 12 |
| VA Guaranty | 13 |
| Maximum Loan Amount | 14 |
| Lender Information | |
| Types of Lenders | 15 |
| Lender Participation Fees | 17 |
| Veteran Eligibility | |
| Maximum Entitlement History | 20 |
| Who is Eligible? | 21 |
| Other Types of Eligible Service | 22 |
| Electronic Certificate of Eligibility | 23 |
| VA Eligibility Center | 24 |
| Proof of Service | 25 |
| Obtaining Proof of Service | 28 |
| Unmarried Surviving Spouse | 29 |
| Restoration of Entitlement | 30 |
| Assumption/Release of Liability | 31 |
| Property Eligibility | |
| Property Eligibility | 36 |
| Properties Not Eligible for VA Loans | 37 |
| Appraisal Overview | 38 |
| Appraisals | 42 |
| General Loan Information | |
| VA Loan Approval Requirements | 46 |
| Prior Approval Loans | 47 |
| Occupancy | 48 |
| Energy Efficient Mortgages | 49 |
| Refinance Comparison | 50 |

| | |
|--|-----|
| Fees and Charges | |
| VA Funding Fee | 52 |
| Allowable Fees and Charges | 52 |
| Unallowable Fees, Charges and Penalties | 56 |
| Credit Requirements | |
| Credit Requirements | 58 |
| CAIVRS | 59 |
| Income | 71 |
| Debts and Obligations | 61 |
| Ratio and Residual | 63 |
| Compensating Factors | 64 |
| Internet Training Program on Credit Standards | 65 |
| More Training - Satellite Broadcasts & Streaming Video | 66 |
| Multi-Unit Purchases and Joint Loans | 67 |
| Secondary Borrowing | 68 |
| Quality Underwriting | |
| Quality Underwriting | 70 |
| Underwriting Concerns | 72 |
| Loan Closing | |
| Modified Submission Procedure | 76 |
| IRRRL Submission | 77 |
| Common Errors | 78 |
| The VA Loan Summary Sheet | 79 |
| Full Reviews | 81 |
| Directory | |
| Regional Loan Center Map | 85 |
| Regional Loan Center Directory | 86 |
| Denver Regional Loan Center Directory | 88 |
| Web Site Directory | 90 |
| Housing Assistance Programs | 91 |
| Appendix | |
| Forms for VA Loan Processing | 96 |
| Acronyms and Abbreviations | 98 |
| Pre-Qualification Worksheet | 101 |
| Table of Residual Incomes by Region | 102 |
| FAQs | 103 |

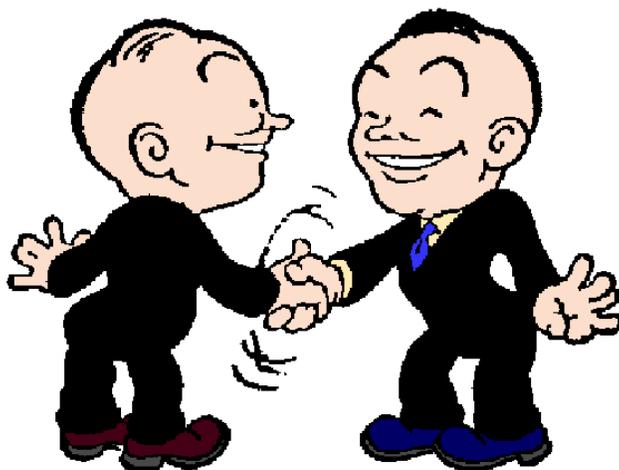
The VA Home Loan Program



Introduction

The Denver Regional Loan Center (RLC) is one of nine nationwide locations for consolidated Loan Guaranty Activities. The activities that have been consolidated to these RLCs are Loan Production (LP); Loan Administration (LA) and Construction and Valuation (C & V).

This guide is to be used as a quick reference tool, providing information compiled from the VA Lender's Handbook and our Internet site. Although this is not a comprehensive guide, like The VA Lender's Handbook, it is a reference focusing on originating and processing VA Home Loans.



Eligible Loan Purposes and Loan Types



VA loans may be used for the following purposes:

- ~ To buy an existing home, including a townhouse or condominium unit in a VA-approved development.
- ~ To build a home.
- ~ To simultaneously purchase and improve a home.
- ~ To improve a home by installing energy-related features
- ~ To refinance an existing home loan.
- ~ Cash-out refinance.
- ~ Reduce the interest rate (Interest Rate Reduction Loan or Streamline)
- ~ Hybrid Adjustable Rate Mortgage
- ~ Adjustable Rate Mortgage
- ~ Convert an adjustable rate mortgage (ARM) to a fixed rate mortgage.
- ~ To purchase a multi-family property (up to four units). The veteran must occupy one of the units as his or her primary residence.



Advantages of VA Guaranteed Home Loans



- No down payment
- Loan maximum may be up to 100 percent of the VA established reasonable value of the property. However, due to secondary market requirements, VA loans generally do not exceed the Freddie Mac conforming loan limit for a single-family residence (currently \$417,000)*.
- Flexibility of negotiating interest rates with the lender.
- No monthly mortgage insurance premium (MIP/PMI).
- Limitation on the buyer's closing costs.
- An appraisal that informs the buyer of the property value.
- Thirty-year loans with a choice of repayment plans:
 - * Traditional fixed payment: Constant principal and interest; increases or decreases may be expected in property taxes and homeowner's insurance coverage.
 - * Graduated Payment Mortgage (GPM): Consists of low initial payments that gradually rise to a level payment starting in the sixth year.
 - * Growing Equity Mortgages: (*Not available in all areas.*) Consists of gradually increasing payments with all of the increase applied to principal, resulting in an early payoff of the loan.
 - * Hybrid Adjustable Rate Mortgage (HARM):
 - * Traditional Adjustable Rate Mortgage (ARM):
- For most VA loans for proposed construction, construction is inspected at appropriate stages to ensure compliance with the approved plans
- Assumable mortgage, subject to lender or VA approval of the assumer's credit.
- Right to prepay loan without penalty.
- VA performs personal loan servicing and offers financial counseling to help veterans avoid losing their homes during temporary financial difficulties.

*See our website www.benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp for a listing of higher-cost county loan limits.

Nature of the VA Home Loan Program



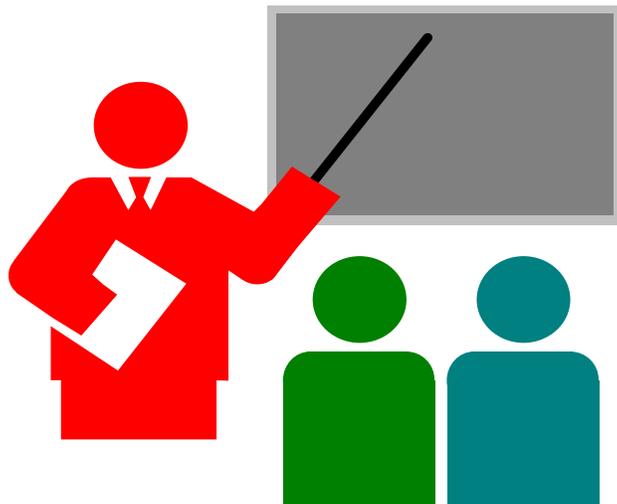
VA does not loan funds directly to veterans.

Exceptions:

NADLP - Native American Direct Loan Program (for properties on trust lands)

SAH - Specially Adapted Housing grant program (for eligible service-connected veterans with loss of use of both lower extremities or both upper extremities above the elbow). Current grant amount is \$64,960.

SHA – Special Home Adaptation grant program (for eligible service-connected veterans who are blind or have loss of use of both upper extremities). Current grant amount is \$12,992.





Loan Processing Steps

- › Obtain Certificate of Eligibility (COE) - *The determination of the veteran's eligibility should be initiated as soon as possible, either through the Automated COE system (located on the Veterans Information Portal) or through the Eligibility Center, preferably at the time of loan application. Veterans may obtain a COE through eBenefits as well (www.ebenefits.va.gov).*
- › Loan application
- › Order appraisal and VA case - *The appraisal should be ordered as soon as possible after loan application. There is no requirement to wait until actual processing of the credit package begins prior to ordering an appraisal.*
- › Develop credit package
- › Appraisal complete
 - Regular processing: Appraisal to VA
 VA issues Notice of Value
 - LAPP processing: Appraisal to Staff Appraisal Reviewer (SAR)
 SAR issues Notification of Value
- › Lender* underwrites and approves or disapproves the application
- › Close loan
- › Loan Guaranty Certificate issued by lender, in most cases

*Automatic lender

VA Home Loan Guaranty Program



Automatic Loans

Loans processed on the automatic basis are prepared, underwritten and closed by the lender before being submitted to VA for guaranty, bypassing the VA commitment stage. Over 90 percent of VA loans are done on the automatic basis.

LAPP Loans

Loans processed on the Lender Appraisal Processing Program (LAPP) basis are automatic loans which also bypass the appraisal review and Notice of Value (NOV) issuance by VA. LAPP lenders have their own VA-approved staff appraisal reviewers (SAR) who review appraisal and issue NOV letter to veteran instead of VA. After issuing NOV, the lender proceeds to close the loan on an automatic basis.

Loans not eligible for automatic closing

1. **Joint loans*** between a veteran and non-veteran or between two veterans.
2. Loans to veterans receiving nonservice-connected VA **pension**** income.
3. Loans to veterans **rated incompetent by VA**.

*Loans with **veteran** and **spouse** jointly obligated are **not** considered “**joint loans**” for VA purposes.

Veterans receiving VA **compensation income may be processed on the automatic basis.



Advantages of the Veterans Information Portal

<http://vip.vba.va.gov>

- ~ Appraisals and case numbers may be obtained 24 hours a day.
- ~ Lender controls information input.
- ~ Not affected by VA office hours or government shutdowns.
- ~ Check status, including foreclosures.
- ~ Check condominium and builder approval.

LAPP - Lender Appraisal Processing Program

- ~ Appraisal goes directly to lender for review
- ~ No wait for VA Staff Appraiser to review.
- ~ Lender controls timeliness.

Automatic Processing

- ~ No need to send loan application to VA for commitment.
- ~ Lender underwrites and closes loan, with the exception of those loan types listed on page 12.

COE/LGC

- ~ Lender generates Loan Guaranty Certificate (LGC)
 - ~ Certificate of Eligibility (COE) requested and obtained
 - ~ Free, Internet-based system
-



VA Guaranty

Purpose of VA Guaranty

To encourage lenders to make VA loans by protecting loan holders and lenders against loss, up to the amount of the guaranty, in the event the loan is terminated by foreclosure.

Amount of Guaranty

The maximum guaranty on a VA loan is the lesser of the veteran's available entitlement indicated on the Certificate of Eligibility (COE), or the maximum potential guaranty amount as shown in the table below. The maximum potential guaranty is \$104,250, if the veteran has full eligibility.*

| Loan Amount | Loan Type(s) | Maximum Potential Guaranty | Special Provisions |
|------------------------|---|--|-----------------------------------|
| Up to \$45,000 | All | 50% of the loan amount | Minimum guaranty of 25% on IRRRLs |
| \$45,001 to \$56,250 | All | \$22,500 | Minimum guaranty of 25% on IRRRLs |
| \$56,251 to \$144,000 | All | 40% of the loan amount, with a maximum of \$36,000 | Minimum guaranty of 25% on IRRRLs |
| Greater than \$144,000 | Loans made for**: Purchase a home or a condominium unit, Refinancing with an IRRRL or Cash out refinance | 25% of the Freddie Mac conforming loan limit. | Minimum guaranty of 25% on IRRRLs |

***Note:** The veteran's basic entitlement amount is \$36,000. If the loan amount exceeds \$144,000, an additional amount of entitlement is available, for a maximum entitlement of 25 percent of the Freddie Mac conforming loan limit for a single-family residence.

****Note:** Only the basic entitlement of \$36,000 is available to guaranty construction to permanent refinance, installment land contract loans and loans assumed by veterans at interest rates higher than that for the proposed refinance. Loans over \$144,000 will receive less than 25% guaranty.

High-cost county loan limits may be found at
http://www.benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp



Maximum Loan Amount

Unlike other home loan programs, there are no maximum dollar amounts prescribed for VA guaranteed loans. Limitations on VA loan size are primarily attributable to two factors:

1. The reasonable value of the property shown on the Notice of Value (NOV), with some exceptions. (Refer to Chapter 3, section 3 of the VA Lender's Handbook for further details.)
2. The lender's requirements in terms of secondary market requirements.

Exceptions to the Rule:

- ~ If the purchase price exceeds the reasonable value of the property, a down payment in the amount of the difference must be made in *cash from the borrower's own resources*.
- ~ VA requires a down payment on all Graduated Payment Mortgages (GPMs).
- ~ If a veteran has less than full entitlement available, a lender may require a down payment in order to make the veteran's loan meet secondary market requirements. The "rule of thumb" is that the VA guaranty, or a combination of VA guaranty plus down payment, must cover at least 25 percent of the loan.



Lender Information





Types of Lenders

Supervised

Commercial Banks, Savings Banks, or other entities under the supervision of a Federal or State Agency, such as FDIC.

Have VA automatic authority by reason of being supervised.

No separate VA approval of automatic authority is required.

Non-Supervised

Mortgage companies or other lenders not subject to FDIC or other Federal or State supervision.

May be approved for prior approval authority, i.e. loan packages are submitted to VA for commitment before closing.

May be approved for automatic authority if they meet certain VA requirements.

Agents

Lenders may designate other entities (correspondents, mortgage brokers, etc.) to perform origination functions on their behalf. VA will approve such relationships upon receiving a copy of the lender's corporate resolution and a \$100 processing fee.

Thus, a mortgage broker, without automatic authority, may originate VA loans for an automatic lender, with the automatic lender doing the underwriting on the automatic basis, if a VA approved agency relationship has been established.

If the lender uses an agent one time, or very infrequently (up to four times per year) it may authorize the agency relationship on a *loan-by-loan basis*, using the lender's certification on VA Form 26-1820.

It is VA's policy to encourage the maximum possible use of automatic authority and LAPP authority.



Lender Participation Fees

Non-Supervised Lenders

Annual Fees

\$200 for processing requests for renewal of automatic authority

\$100 for annual renewal of each lender agent

Administrative Fees

\$500 for processing requests for automatic authority

\$100 for processing requests for approval of each nominee for underwriter

\$100 for processing requests for VA recognition of each lender agent

\$100 for processing requests for approval of each nominee for Staff Appraisal Reviewer (SAR)

\$100 for processing request for approval of each branch

Supervised Lenders

\$100 for processing requests for VA recognition of each lender agent

\$100 for annual (by January 31 of each year) renewal of each lender agent formally recognized by VA

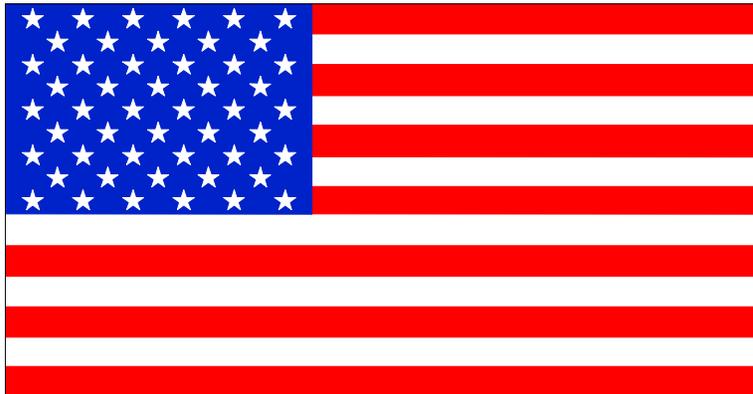
\$100 for processing requests for approval of each nominee for Staff Appraisal Reviewer (SAR)

Reference: VA Lenders Handbook, Chapter 1, section 10



Notes

Veteran Eligibility



Maximum Entitlement History



| Effective Date | Entitlement |
|-------------------|------------------|
| June 22, 1944 | \$2,000 |
| December 28, 1945 | \$4,000 |
| July 12, 1950 | \$7,500 |
| May 7, 1968 | \$12,500 |
| December 31, 1974 | \$17,500 |
| October 1, 1978 | \$25,000 |
| October 1, 1980 | \$27,500 |
| December 21, 1987 | \$36,000 |
| October 13, 1994 | \$50,750 |
| December 27, 2001 | \$60,000 |
| December 10, 2004 | <i>See note.</i> |

Note: The veteran's basic entitlement amount is \$36,000. If the loan amount exceeds \$144,000, an additional amount of entitlement is available, for a maximum entitlement of 25 percent of the Freddie Mac conforming loan limit for a single-family residence.





Who is Eligible?

Types of Service

| ERA | Dates | Minimum Service |
|-------------------------|-----------------------|--|
| WWII | 9/16/40 - 7/25/47 | 90 continuous days |
| Peacetime | 7/26/47 - 6/26/50 | 181 days |
| Korean | 6/27/50 - 1/31/55 | 90 days |
| Post-Korean | 2/1/55 - 8/4/64 | 181 days |
| Vietnam | 8/5/64 - 5/7/75 | 90 days |
| Post-Vietnam (Enlisted) | 5/8/75 - 9/7/80 | 181 days |
| Post-Vietnam (Officer) | 5/8/75 - 10/16/81 | 181 days |
| Post-Vietnam (Enlisted) | 9/8/80 - 8/1/90 | 2 years |
| Post Vietnam (Officer) | 10/17/81 - 8/1/90 | 2 years |
| Persian Gulf | 8/2/90 - undetermined | 2 years or period called to active duty, not less than 90 days |

| Other Eligible Persons | Minimum Service Required |
|----------------------------------|--|
| Active duty member** | 90 continuous days (181 during peacetime) |
| Active Reserve or National Guard | 6 years in Selected Reserves |
| Unmarried surviving spouse*** | No time requirement. Veteran must have died on active duty or from a service-connected disability. |
| POW/MIA spouse | Veteran must have been POW or MIA 90 days. |

**A veteran who has served less than the minimum required period of service or was discharged because of a service-connected disability may be eligible for home loan benefits. Other categories of exceptions can be found in Chapter 2, section 5 of the Lender's Handbook.*

***Certificate only valid while veteran remains on active duty*

****For IRRRLs only, the surviving spouse of a deceased veteran may do an IRRRL using the veteran's Certificate of Eligibility (if the spouse was on the loan with the veteran). The spouse, in this case, does not have separate entitlement.*



Other Types of Eligible Service

- ◆ Certain United States citizens who served in the armed forces of a government allied with the United States in World War II.
- ◆ Unmarried surviving spouses of the above-described eligible persons who died as the result of service or service-connected injuries. **(Children of deceased veterans are not eligible.)**
- ◆ The spouse of any member of the Armed Forces serving on active duty who is listed as missing in action, or is a prisoner of war and has been so listed for a total of more than 90 days.
- ◆ Individuals with service as members in certain other organizations, services, programs and schools may also be eligible.

Ineligible Service:

- ✗ Active duty for training in Reserves
- ✗ Active duty for training in National Guard (*Unless “activated” under authority of Title 10, U.S. Code*)

Obtaining a Certificate of Eligibility (COE)

A veteran must establish eligibility for a VA guaranteed home loan. There are several ways to obtain a COE.

- ◆ The veteran may create an account on VA’s eBenefits (www.ebenefits.va.gov) site and make request electronically.
- ◆ The veteran may complete and mail VA Form 26-1880, Request for a Certificate of Eligibility, to the Eligibility Center for processing.
- ◆ The lender may request electronically.



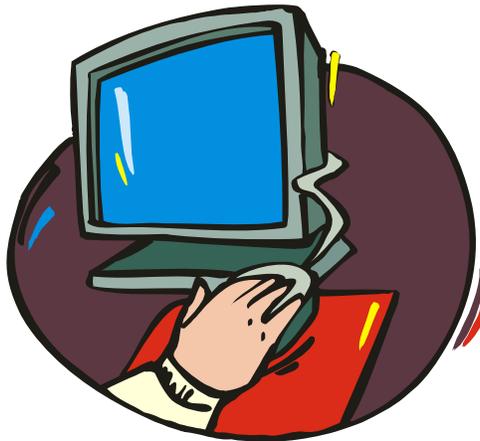
Electronic Certificate of Eligibility

This program allows lenders to input data about their potential veteran-borrower and obtain an eligibility determination, in most cases, in a matter of seconds. If eligibility is established, the lender may print the COE for their records. This eliminates completing a paper application (VA Form 26-1880, Request for a Certificate of Eligibility), mailing it to an eligibility center and waiting for a reply by mail. If eligibility cannot be established, the lender may input an electronic application for processing.

Lenders may access the electronic COE program at <http://vip.vba.va.gov>. The program is located in the WebLGY application.

If eligibility cannot be established immediately, the electronic record will show an “unsuccessful” status. The lender must add an electronic application to the record so that it will be placed in a “pending” status for the Eligibility Center.

This application is intended for use by lenders who have the veteran’s permission to obtain an eligibility determination for them. The use of the system will be monitored for security and administrative purposes and accessing the system constitutes consent to such monitoring.





VA Eligibility Center

Obtaining a Certificate of Eligibility*

If the veteran wishes to establish eligibility prior to finding a lender, they may do so. It is highly recommended that they register on VA's eBenefits site at www.ebenefits.va.gov. The veteran may then request their COE electronically.

The Certificate of Eligibility may be requested by submitting a completed VA Form 26-1880, Request for a Certificate of Eligibility. The may can be downloaded from the Internet at the following web site: www.va.gov/vaforms

The completed VA Form 26-1880 must be accompanied by the veteran's most recent discharge or separation papers or, if on active duty, statement of service, and sent to the VA Eligibility Center.

VA Eligibility Center

| |
|---|
| Nationwide Processing |
| Atlanta Regional Loan Center Attn: COE (262) PO Box 100034 Decatur, GA 30031 |

Telephone Number: 1-888-768-2132





Proof of Service

DD-214

The DD-214 is the most common type of proof of service. It has been issued to veterans discharged from all branches of service since January 1, 1950.

What to look for?

- ♦ Veteran’s name while in the service
- ♦ Branch of Service
- ♦ Social Security Number
- ♦ Date of Birth
- ♦ Dates of Service (entry date, discharge date, and net active service)
- ♦ Character of Service*
- ♦ Lost Time

NOTE: After October 1, 1979, the form was revised and veterans were issued a “Member-1” and a “Member-4” copy of the DD-214. The “Member-4” copy must be submitted with the VA Form 26-1880 as the character of service and time lost are listed on this form.

*Any one of the following may be listed in the Character of Service section of the DD-214:

| Type of Discharge for Active Duty Veteran | Action |
|---|------------------------------|
| Honorable (HON) | Acceptable |
| Under Honorable Conditions (UHC) | Acceptable |
| General (GEN) | Acceptable |
| Other Than Honorable (OTH) | Requires Adjudication Review |
| Bad Conduct | Requires Adjudication Review |
| Dishonorable | Unacceptable |

NOTE: The only acceptable character of service for a veteran who served in the Selected Reserves/National Guard is “HONORABLE”.

DD-215 - The DD-215 is issued to correct any wrong information on a DD-214. When a veteran submits a DD-215, the DD-214 must also be included.



Proof of Service

Proof of Service Prior to 1950

Prior to 1950, each branch of the service issued its own separate proof of service:

| | |
|-----------|--------------|
| Army | WDAGO #53-55 |
| Navy | NAVPERS-553 |
| Air Force | WDAGO #53 |
| Marines | NAVMC78 |

All required eligibility information is included on the above-listed types of separation forms. However, the information may be difficult to locate as the forms do not have a uniform format.

Certificate of Military Service

The Certificate of Military Service is issued to veterans by the National Personnel Records Center (NPRC) as a substitute for a copy of the actual discharge papers. NPRC issues this record because the original proof of service was lost or destroyed. This is an official document and can be used for verification of military service. It shows the entry date, discharge date and character of service.

Active Duty

Statement of Service

A Statement of Service is required as proof of service when a veteran is serving on active duty or when a reservist continues to serve in the Selected Reserves. There is no official format, but it is usually prepared on military letterhead or is computer-generated by the branch of service.

- An acceptable letter will show the veteran's name, service/Social Security number, and date of birth, any lost time or breaks in service and date of entry into active duty or the Selected Reserves. If the Statement of Service does not reference any lost time, it should be assumed there was none.
- The character of service is not generally provided on this type of proof of service. When it is not stated, the character of service should be considered "Honorable".
- Finally, the adjutant, personnel officer or commanding officer of the unit should sign the letter.
- "Orders" or Leave and Earnings Statements (LES) do not fulfill the same requirements as the statement of service.



Proof of Service

Reservist/National Guard

Unlike members of regular components of the Armed Forces, there isn't one standard form given to members of the Reserves or Guard. Generally, members of the Reserves/Guard will have some type of points summary detailing participation in the Selected Reserves.

The following documents are usually acceptable to establish eligibility:

| Reserve/Guard Branch | Required Proof of Service |
|-------------------------|---|
| Army/Air National Guard | NGB-22, Report of Separation and Record of Service |
| Army Reserve | DARP Form 249-2-E or ARPC Form 606, Chronological Statement of Retired Points |
| Navy Reserve | NRPC 1070-124, Annual Retirement Point Record |
| Air Force Reserve | AF-526, Point Summary Sheet |
| USMC Reserve | NAVMC-798 |
| Coast Guard Reserve | CG-4175 |

Discharge Certificate

The discharge certificate is issued to both regular military and reservist veterans. It can be used as proof of character of service for a reservist when only a points statement is available.

Note: The minimum required length of service for a Reserve/National Guard member is six (6) years of active reserve duty.





Obtaining Proof of Service

How to obtain proof of service

The National Archives and Records Administration (NARA) may be contacted to obtain a copy of military service records. The NARA has several methods available to request records:

1. eVetRecs (www.archives.gov/Veterans/evetrecs) - The request for records may be initiated via the Internet by the Veteran. A follow up faxed or mailed application with signature will be required.

2. Standard Form (SF) 180, Request Pertaining to Military Records may be obtained via Internet, postal mail, or telephone:

a. Download and print form from <http://www.archives.gov/Veterans>

b. Request form by mail: The National Archives and Records Administration
8601 Adelphi Road
College Park, MD 20740-6001

c. Telephone NARA at 1-866-272-6272

The process of ordering military records should be started as early as possible as it can take some time to fulfill the request.

State Departments of Veterans Affairs – If the Veteran was discharged after 1979, there is a possibility that the State Department of Veterans Affairs may have a copy of the DD-214. The Veteran would need to contact the office located in the state that was listed as their home of record. The ‘home of record’ is where the Veteran entered into active duty. The website for the National Association of State Directors of Veterans Affairs is www.nasdva.us. Contact information for each state office may be located there.

Department of Veterans Affairs (VA) – If the Veteran has made a claim with VA, there is a chance that service information is in our database. It may be possible for the Veteran to obtain a letter regarding their service information from the Veterans Service Center. The toll-free number, 1-800-827-1000, will connect the Veteran to the nearest VA Regional Office.



Unmarried Surviving Spouse

Entitlement

An unmarried surviving spouse may be eligible for a Certificate of Eligibility in his or her own right, independent from any Certificate of Eligibility that may have been issued to the deceased veteran, including any prior use of entitlement.

Exceptions

The surviving spouse would not be eligible if he or she had active military service of their own.

Documentation

First time Use - A first time applicant will complete VA Form 26-1817*, Request for Determination of Loan Guaranty Eligibility - Unmarried Surviving Spouse.

Subsequent Use - The applicant will complete VA Form 26-1880*, Request for Certificate of Eligibility for VA Home Loan Benefits, when applying for restoration of previously used entitlement or for refinancing a loan.

*No supporting material is required with the application, however providing the veteran's DD-214 and death certificate may expedite the process. The request will be reviewed for general completeness of the form and processed utilizing information already of file with VA.

***Note:** The processing time for these types of requests may be lengthy. The deceased veteran's records may have to be recalled from one of the Federal Records Retirement Centers or another VA Regional Office for review before a determination is made. Therefore, you will need to consider this when scheduling closing dates.*





Restoration of Entitlement

Entitlement previously used to obtain a VA-guaranteed home loan can be restored only if one or more of the following conditions are satisfied:

- ◆ Sale of property and repayment of loan
- ◆ One-Time Restoration
- ◆ Release of Liability *with* Substitution of Entitlement

Sale of Property and Repayment of Loan:

The property that secured the old VA loan has been sold and the loan has been paid in full, or VA has been released from liability as the guarantor or insurer.

Disposal includes transfer or sale of the property, including sale by assumption (only when a substitution of entitlement has also been completed).

Proof of Repayment/Paid-in-Full:

- ⇒ Canceled Loan Guaranty Certificate or notice from the lender
- ⇒ Release of Deed of Trust or Release of Mortgage
- ⇒ Signed HUD-1 Settlement Statement clearly indicating paid in full

NOTE: Entitlement cannot be restored if the Government has paid a claim for guaranty or insurance unless the veteran fully repays any loss incurred by the Government due to such claim payment.

One Time Restoration

If the VA guaranteed loan has been paid in full, but the veteran still owns the home that secured the loan, the entitlement used in connection with the loan may be restored.

Example: A veteran purchases a home using a VA guaranteed loan and then refinances it with a conventional loan. Subsequently, the veteran moves out of the area and rents out the property. The veteran now wants to purchase another home to occupy, using a VA loan. The veteran may do so under “One-Time Restoration” conditions. However, the veteran’s entitlement cannot be restored again until both properties are sold and the VA loan is paid in full.



Assumption/Release of Liability

Often times a veteran will decide to have his loan assumed instead of selling the property outright. In this instance, the veteran may request a release of liability (ROL) from the United States Government. Simply put, if a veteran's home loan goes into default/foreclosure after an assumption and a release of liability have been processed, the VA will not pursue collection from the original veteran.

Generally, assumptions with release of liability are broken into three basic categories:

Loans Originated Prior to March 1, 1988:

- ⇒ Freely Assumable - Ownership can be transferred to any person without prior approval from the VA or the Lender.
- ⇒ Contact VA - If a release of liability is requested, the veteran must contact their servicer to determine the creditworthiness of the assumer.
- ⇒ ROL Processed by VA - Once the assumption is approved, the servicer will notify VA so the system coding may be updated to show a release of liability has been processed.

Loans Originated After March 1, 1988:

- ⇒ Not Freely Assumable - A “qualifying assumption” must be processed. It is illegal for the veteran to allow the loan to be assumed without prior approval of the lender.
- ⇒ Contact Real Estate Licensee - If the veteran decides to list the home as a qualifying assumption.
- ⇒ Contact Lender - Once a sales agreement has been completed, the veteran or the real estate licensee must contact the lender's assumption department for instructions on how to proceed with the transaction.
- ⇒ Assumption Processed by Lender - The potential buyer will need to credit and income qualify through the lender, using VA guidelines. If the buyer is approved, the closing may take place.



Assumption/Release of Liability

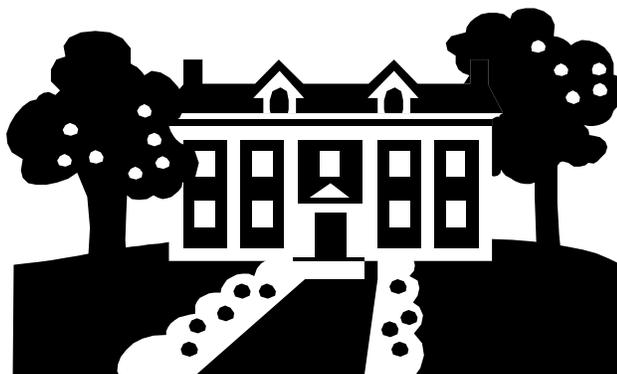
Loans Originated After March 1, 1988 (continued):

- ⇒ Costs - In general, the lender may charge a maximum processing fee of \$300, the actual cost of the credit report and, if requested, the cost of an appraisal. If the assumption is approved, a funding fee will be collected at closing (see funding fee chart on page 61).
- ⇒ Release of Liability Processed by VA - After closing, the lender will submit the entire assumption package so that VA records can be updated to reflect the ROL.

Unrestricted Transfers:

- ⇒ Processed by VA at no cost*- Does not require prior approval by the lender. Includes the following situations:
 - ♦ Death - The estate of the deceased must provide the VA with a letter stating the circumstances of the transfer, a copy of the death certificate and a copy of the recorded deed transferring ownership of the property from the estate to the assuming relative. The VA approval of this transfer will also release the estate from liability. The estate is responsible for contacting the lender regarding the name change on the loan.
 - ♦ Divorce - Either party, veteran or spouse, may provide VA with a letter requesting a release of liability due to divorce. A copy of the final divorce decree and a copy of the recorded Quit Claim deed with proper assumption clause must be submitted. No release of liability is issued.

**Lender may charge a \$50 fee to remove the name from the loan.*





Assumption/Release of Liability

In all types of assumptions discussed here, a release of liability may be processed, but a release does not meet the requirements for restoration of the original veteran's entitlement. However, if the assuming party is an eligible veteran, another option is available.

Substitution of Entitlement (SOE)

- ⇒ Requires a Veteran Assumer - If the assuming party is an eligible veteran with sufficient entitlement available, a substitution of entitlement may be granted. An SOE allows the selling veteran's entitlement to be restored after the assuming veteran's entitlement has been substituted on the loan.
- ⇒ Occupancy Required - The assuming veteran must certify they will occupy the home,, as a primary residence.
- ⇒ VA Processes Substitution - if the lender processed the assumption, the closing package will be forwarded to VA for processing the SOE. The lender must ensure that the assuming veteran has sufficient entitlement available for substitution before closing. Once VA has finalized the SOE, both parties will receive updated Certificates of Eligibility with the substitution indicated.

Note: In cases where a release of liability has been processed, without substitution of entitlement, the entitlement used to guaranty the loan remains with the debt until it is paid in full (i.e. sold outright, refinanced or paid off). If there was a foreclosure, any debt owed to VA must be paid before entitlement can be restored.



Property Eligibility





Property Eligibility

Existing Construction

Single family or multi-family (up to four units) dwellings* that:

- Have been fully completed for one year, or
- Have been previously owner occupied, and
- Meet VA Minimum Property Requirements (MPRs)

New Construction

Property must be 100% complete or 100% complete through customer preference items (i.e. appliances, countertops, carpet installation). No compliance inspection is required.

Newly constructed properties (completed less than one year and never owner-occupied) are eligible if either

- Covered by a one-year VA builder's warranty,
- Enrolled in a HUD-accepted ten-year insured protection plan, or
- Built by the veteran as the general contractor, for his/her own occupancy.

Proposed or Under Construction

Property is eligible for appraisal prior to construction or during construction if

- Appraisal is based on proposed construction exhibits, and
 - Builder must offer a one-year VA builder's warranty.
-
- Manufactured homes must be attached to a permanent foundation and be taxed as real estate.

***Note:** VA accepts the construction inspections performed by the local authority. Refer to VA Circular 26-06-1, dated February 16, 2006, for complete details.*



Properties not Eligible for VA Loans

Ineligible Properties

- ✘ Does not meet Minimum Property Requirements (and cannot be made to comply)
- ✘ Located in Flood Hazard area where flood insurance is not available
- ✘ Located in the Coastal Barrier Resource System
- ✘ Proposed or new construction located in Airport Noise Zone 3 (high noise)
- ✘ Located in unapproved Condominium Developments (Condo)
- ✘ Cooperatives

Note: The VA Minimum Property Requirements (MPRs) can be found in Chapter 12 of the VA Lender's Handbook located at www.warms.vba.va.gov/pam26_7.html. Questions about property eligibility (if not specifically addressed in the MPRs) should be directed to the Construction & Valuation section of the regional loan center having jurisdiction of the area where the property is located.





Appraisal Overview

Opinions of Home Value - As a home loan guarantor, VA needs to know that the property which will become the collateral for a VA loan is worth at least as much as the loan amount, especially because there is usually no down payment. Before entering into a contract of the guaranty with a lender, VA relies on an appraiser's opinion of the market value of the home to ensure that taxpayer funds will be used responsibly for the loan guaranty. These appraisers are known as fee appraisers because they are not employees or staff appraisers of VA, but they are private contractors, licensed by the state to compare individual homes and determine market values based on recent home sales.

Proposed or Under Construction – If the home is to be a proposed or under construction case, then building plans and specifications are required. After ordering a VA case number, the lender will send the plans and specifications to the assigned appraiser with a copy of the VA appraisal request order form (26-1805). The appraiser will complete the report based on the plans and specifications. Refer to VA Circular 26-06-1, dated February 16, 2006, for complete details relating to compliance inspections.

Observations of the Appraiser - State licensed appraisers are trained and qualified to observe homes and describe conditions that are not safe, sound or sanitary. An appraisal report may include an estimate of repairs that are needed to remedy unsatisfactory conditions. However, an appraisal does not include any test results or rating that would be found in reports from structural or mechanical engineers or home inspectors. It is important to understand what an appraisal does and doesn't do, so that unrealistic expectations will be avoided. An appraisal is primarily for the purpose of determining market value. It does not necessarily list all repairs for conditions that a buyer might consider unsatisfactory, or that would be discovered after detailed testing or systems inspections.

Ordering the VA Appraisal - Lenders who process VA loans need to obtain a VA identification number for each requested loan. The VA number is known as the VA case number, loan number, loan identifier or loan identification number. The VA number has 12 digits. The first four digits indicate the location of the property and the local VA office. In Colorado, for example, VA numbers start with "39-39-...". The fifth digit is the "loan type". Loans closed after 1/1/90 are loan type "6". After the first five digits, the VA number continues with seven more digits which are assigned by VA in sequence to individual cases at time of appraisal request. A Colorado VA loan number looks like this: "39-39-6-1234567".

Lender Appraisal Processing - Many lenders are authorized by VA to process and approve requests for VA loans without sending the credit and underwriting documents to VA until after the closing. They are known as VA automatic lenders. Many automatic lenders are also authorized by VA to review appraisals and issue notices of the home value to borrowers. This review authority is known as the VA Lender Appraisal Processing Program (LAPP). Using a VA lender with LAPP authority can speed the loan approval because appraisal packages need not be sent to VA for review and issuance of a Notice of Value (NOV). Instead, the lender's Staff Appraisal Reviewer (SAR) issues the NOV.



Appraisal Overview

Notices of Value - After either the lender or VA reviews the appraisal, depending on the lender's authority, a Notice of Value (NOV) will be sent to the loan applicant. The notice from the lender or from VA states the market value of the home based on the opinions of the appraiser and the reviewer. The NOV may also list any conditions at the property that need correction or completion.

Builder Identification Numbers – For any property appraised as either “proposed or under construction” or “new construction”, the builder must have a valid builder identification number prior to a Notice of Value being issued.

To obtain a valid VA-assigned builder ID number, all of the following must be fully executed and submitted to the VA office of jurisdiction where the property is located:

- ✧ VA Form 26-412, Equal Employment Opportunity Certification
- ✧ VA Form 26-8791, VA Affirmative Marketing Certification
- ✧ The identifying information and certification shown in Figure 1 of the VA Lenders Handbook, VA Pamphlet 26-7, as worded and in the order shown, either on the builder's letterhead or attached to a statement on the builder's letterhead which references it.

Procedures for Proposed or Under Construction

One fastened set of the plans and specifications for the proposed construction of a house should be obtained from the builder and sent by the lender to the appraiser at the time of appraisal request. The fastened set of documents from the builder should include:

- ◆ Specifications for the home on VA Form 26-1852, Description of Materials, or similar document, describing the home in detail. The top copy should contain the original signatures of the builder/seller and the veteran/buyer.
- ◆ Plans or working drawings should be clear copies and reduced to 8 ½ x 14 or 8 ½ x 11 inches. The plans will include:
- ◆ Plot plan showing finished grade elevations at corners of house and lot, and showing driveways, sidewalks, porches, any easements, water and sewer lines, including any well and septic locations. Preliminary approval by local authority for any well and septic must be attached or annotated on the plot plan.



Appraisal Overview

Procedures for Proposed Construction (continued)

- ◆ Foundation plan showing footing and wall dimensions for basement, crawl space and slab foundations.
- ◆ Floor plans clearly showing all dimensions. The top copy should contain the following certification by the builder or other technically qualified person approved by VA:

“I do hereby certify that this drawing or plan and related specifications meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials (CABO) Model Energy Code (MEC).”

- ◆ Elevations showing the front, rear and side of the home.
- ◆ Sectional wall details.
- ◆ Calculations and layout heating and cooling load.
- ◆ Additional drawings or other documents may be needed, depending on the type of construction or the location of the home.
- ◆ If the property will have a well, VA will require a pump test, in addition to a potability test.

Note: Lenders send the appraisers legible copies of VA Form 26-1805, Request for Appraisal. The real estate contract with addenda is required.

Miscellaneous Appraisal Information

Public Water and Sewer - If the property is not connected to public water and sewer lines and those systems are available at the property and connection is feasible, then connection may be required as a condition of the NOV.



Appraisal Overview

Miscellaneous Appraisal Information (continued)

Builder Certifications - Before guaranteeing a loan for proposed/under construction or new construction, VA requires the builder to certify that certain conditions have been met in constructing the home. For example, these certifications usually refer to the treatment of the excavated soil near a new foundation to guard against insect infestation, the maximum content of toxic lead metal in the plumbing system and the latest construction standards required by 1992 Model Energy Code (MEC) of the Council of American Building Officials (CABO). Builders approved by VA are aware of the requirements for the certifications, but lenders may need to ensure that the correct certifications are promptly sent to VA so that the loan can be guaranteed without delay.

Repair Escrows - If certain landscaping, finishing or repairs cannot be completed because of weather conditions, then the lender may instruct a title company or other agent to hold money from the sales closing in an escrow account until the delayed work is completed. The amount held is usually one and one-half times the estimated cost, so that the builder or contractor will protect the veteran purchaser, the lender, and VA against possible failure. The originating lender is expected to ensure that the delayed work on the home is completed as agreed by seller and buyer at closing, even though the lender may have already arranged to sell the loan soon after closing.

New Construction - If a builder sells a newly constructed, the builder must provide either a ten-year insurance-backed warranty that is approved by FHA or the standard one-year builder's warranty. Additionally, the buyer needs to acknowledge that VA will not assist with any problems or complaints to the builder concerning construction defects. The builder should contact VA for details about "Special Exception" processing, so that the new home can qualify as collateral for a VA guaranteed loan.

Grant from VA for Specially Adapted Housing - VA is authorized to approve a grant of not more than 50 percent of the cost of a home (maximum grant is \$60,000) to certain totally disabled veterans who build, buy or remodel a home that will accommodate the needs of the disability. This request for the grant and the adaptations must meet certain guidelines and be approved by VA prior to disbursement of the funds.

Avoiding Delays - Just as prompt action is essential to the other steps in approving home loans, the same attention to timeliness can be critical in requesting appraisals and communicating with VA fee appraisers and inspectors. Expensive delays can be minimized if VA appraisal requests are completed carefully, on time and without omissions on VA Form 26-1805.



Appraisals

- ☞ WebLGY is Internet based, and reached via the Internet Service Provider of user's choice.
- ☞ Appraisal assignments are based on the mailing address of the property, including the county name.
- ☞ In addition to obtaining VA case numbers and having appraisers assigned, lenders or brokers may check the status of appraisal requests and use the property address or veteran's name to search for a misplaced case number.
- ☞ Fee appraisers are able to access WebLGY to review and update their basic reference file information, such as mailing address, telephone numbers and email address. They are also able to review information about their pending assignments (e.g. property address, VA case number, appraisal requester information and the current status of each assignment).
- ☞ Case numbers for Interest Rate Reduction Refinance Loans may be ordered (no appraisal is required).
- ☞ WebLGY may be accessed at the following Internet address:

<http://vip.vba.va.gov>





Appraisals

- ☞ For electronic submission of appraisal reports by VA fee appraisers for appraisal reviews by Lender Appraisal Processing Program (LAPP) Staff Appraisal Reviewers (SARs).
- ☞ Appraisals available electronically on one centralized website, <http://vip.vba.va.gov>.
- ☞ SARs may review the appraisal and issue the Notice of Value (NOV).
- ☞ Appraisals will no longer be mailed to the lender.
- ☞ Requires no added lender expense or investment in any new computer technology.
- ☞ Appraisal files available in PDF format.
- ☞ Use of WebLGY is mandatory for VA appraisers and LAPP lenders.



General Loan Information





VA Loan Approval Requirements

To obtain a VA loan, the law requires that:

- ✓ the applicant must be an eligible veteran who has available entitlement;
- ✓ the loan must be for an eligible purpose;
- ✓ the veteran must occupy the property as a home within a reasonable period of time after closing the loan;
- ✓ the veteran must be a satisfactory credit risk;
- ✓ the income of the veteran and spouse, if any, must be shown to be stable and sufficient to meet the mortgage payments, cover the costs of owning a home, taking care of other obligations and expenses and have enough left over for family support.

Equal Credit Opportunity Act

Do not ask questions about income of a spouse who will not be contractually obligated on the loan unless:

- the veteran is relying on the spouse's income to qualify;
- the veteran is relying on alimony, child support, or separate maintenance payments; or
- the veteran resides in a community property state or the security is in such a state.

***Note:** In community property states information concerning a spouse may be requested and considered in the same manner as for the veteran, even if the spouse will not be contractually obligated on the loan.*

Reference: VA Pamphlet 26-7, Chapter 4, section 7c



Prior Approval Loans

All lenders, whether or not they have automatic authority, must submit the following types of loans to VA for prior approval:

- ✎ Joint loans
- ✎ Loans to veterans in receipt of nonservice-connected pension
- ✎ Loans to veterans rated incompetent by VA
- ✎ Interest Rate Reduction Refinancing Loans (IRRRLs) made to refinance loans where loan payments are 30 days or more past due
- ✎ Manufactured home loans (**except** when the manufactured home is permanently affixed to the lot and considered real estate under state law) unless the lender has been separately approved for this purpose
- ✎ Cooperative loans
- ✎ Unsecured loans or loans secured by less than a first lien
- ✎ Supplemental loans

Lenders with automatic authority may also elect to submit a loan (of a type not on the above list) for prior approval when issues or circumstances cannot be resolved by the lender's own underwriting staff.

- ✎ The submission must include the underwriter's analysis and explanation of why the loan should be approved by VA.
- ✎ A thorough justification for not approving the loan on the automatic basis must be provided.
- ✎ A statement that the lender will fund the loan in the event of VA approval.
- ✎ Do not use this provision to shift the burden of a loan rejection to VA.

Note: *Interest Rate Reduction Refinance Loans made to incompetent veterans, veterans in receipt of nonservice-connected pension, or joint loans do not need to be submitted to VA for prior approval. They may be closed automatically.*



Occupancy

The intent of the VA Home Loan Program is to provide shelter to veterans. It is not intended to allow the veteran to build a portfolio of income properties. Therefore, occupancy is one of the most important requirements of the VA Home Loan Program. The dependent child of an active duty borrower may satisfy the occupancy requirement.

The veteran recipient of a VA guaranteed loan must certify that he or she intends to personally occupy the property as his or her primary residence. The spouse of a veteran may, in certain situations, occupy the property in the veteran's absence.

For an Interest Rate Reduction Refinancing Loan (IRRRL), the veteran or surviving spouse need only certify that he or she previously occupied the property.

Note: Single or married service members, while deployed from their permanent duty station, are considered to be in a temporary duty status and able to provide a valid intent to occupy certification. *This is true without regard to whether or not a spouse will be available to occupy the property prior to the veteran's return from deployment.*

Please contact a VA Regional Loan Center to discuss unusual occupancy circumstances. The Lender's Handbook could not possibly cover all potential scenarios, but a VA representative would be happy to discuss the occupancy situation with the lender.





Energy Efficient Mortgages

Energy Efficient Mortgage

Loans for the acquisition of an existing dwelling and the cost of making energy efficient improvements to the dwelling, or refinancing an existing VA loan with an interest rate reduction refinance loan or for energy improvements to a dwelling owned and occupied by a veteran.

- Increase up to \$3,000 based solely on the documented costs.
- Increase up to \$6,000 provided increase in payment does not exceed the likely reduction in monthly utility costs.
- Increase more than \$6,000 subject to a value determination by VA.

Energy Efficient Improvements

- ♦ Solar heating systems
- ♦ Solar heating and cooling systems
- ♦ Furnace efficiency modifications
- ♦ Clock thermostats
- ♦ New or additional ceiling, attic, wall and floor insulation
- ♦ Water heater insulation
- ♦ Storm windows and/or doors
- ♦ Heat pumps
- ♦ Vapor barriers
- ♦ Air conditioner modifications (not installation)

VA will guaranty an energy efficient mortgage in the same proportion as a loan not including energy efficiency improvements. However, the charge to the veteran's entitlement will be based upon the loan amount before adding the cost of energy efficiency improvements.

Note: The funding fee must be calculated on the full loan amount, including the cost of the energy efficient improvements.





Refinance Comparison

| | Regular Refinance (Cash-out Refinance) | IRRRL VA Streamline Refinance |
|--------------------------------------|---|---|
| <i>Statutory authority</i> | 38 U.S.C. 3710(a)(5) | 38 U.S.C. 3710(a)(8) |
| <i>Guaranty entitlement required</i> | Yes | No (rollover entitlement from prior VA loan) |
| <i>Cash out allowed?</i> | Yes | No |
| <i>Loan limit</i> | 100% of NOV + funding fee + up to \$6,000 for energy efficient improvements | Payoff of prior VA loan + allowable closing costs + funding fee + up to \$6,000 for energy efficient improvements |
| <i>Must veteran own property?</i> | Yes | Yes |
| <i>Must veteran occupy property?</i> | Yes | No (must have occupied at one time) |
| <i>Maximum loan term</i> | 30 years + 32 days | Existing VA loan term + 10 years (not to exceed 30 years + 32 days) |
| <i>Maximum interest</i> | Negotiated Rate | Rate must be lower than rate on present VA loan, unless refinancing ARM to fixed rate |
| <i>Lien of record required?</i> | Yes | Yes |
| <i>OK to refinance other liens?</i> | Yes | No |
| <i>Appraisal required?</i> | Yes | No |
| <i>Credit package required?</i> | Yes | No, unless three months delinquent |
| <i>OK for automatic processing?</i> | Yes, automatic lenders | Yes, all lenders, unless existing VA loan is delinquent |

Fees and Charges





VA Funding Fee

VA Funding Fee Requirement

The law requires that VA be paid a funding fee with guaranteed loans. The only exceptions are loans made to veterans receiving VA compensation for service-connected disabilities, or who, but for receipt of retirement pay, would be entitled to receive compensation, and loans made to surviving spouses of veterans who died in service or from service-connected disabilities.

The Funding Fee is assessed as follows:

Purchase and Construction Loans

| Veteran Type | Down Payment | Percentage for First-Time Use | Percentage for Subsequent Use* |
|-----------------------------|--------------|-------------------------------|--------------------------------|
| Regular Military | None | 2.15% | 3.3%* |
| | 5% or more | 1.50% | 1.50% |
| | 10% or more | 1.25% | 1.25% |
| National Guard/ Reserves | None | 2.4% | 3.3% |
| | 5% or more | 1.75% | 1.75% |
| | 10% or more | 1.5% | 1.5% |

Other Loans

| Type of Loan | Percentage for Either Type of Veteran |
|--|---------------------------------------|
| Interest Rate Reduction Refinance (IRRR) | .50% |
| Manufactured Home Loans** | 1.00% |
| Loan Assumptions | .50% |
| Vendee Loans | 2.25% |

**Mobile homes in a park.

NOTE: The funding fee on a cash-out/regular refinance is calculated the same as a no down payment loan, taking first time or subsequent program use into account. Equity does not count as down payment.



Allowable Fees and Charges

Lenders may not charge a veteran-borrower any fee not included in the schedule listed below. Closing costs and prepaid items may not be included in the loan, except for refinancing loans. The schedule applies only to charges paid by the veteran.

Charges and fees permitted by the schedule are maximums and do not preclude alternative charges less than the maximums; e.g., a lender who elects not to make the one percent flat charge may charge less or may make charges not specifically allowed in the schedule if the aggregate amount charged is not in excess of the authorized one percent flat allowance.

A one percent flat allowance is permissible in home loans. A further one percent charge in connection with loans for the alterations, improvement, or repair of residential real estate when it is not permissible to charge the two percent fee is authorized for advances and supervising the progress of construction.

The veteran may pay reasonable and customary amounts for any of the following items:

- ✧ Fee of VA appraiser and of compliance inspectors designated by VA except appraisal fees incurred for the predetermination of reasonable value requested by other than the veteran or lender, and except the cost of appraisals requested by the lender or the seller to support requests for reconsideration of value. The veteran may pay for a second appraisal if he or she is requesting reconsideration of value.
- ✧ Recording fees and recording taxes or other charges incident to recordation.
- ✧ Credit report (For cases processed through Loan Prospector, a \$50 fee may be charged in lieu of a Residential Mortgage Credit Report. When a merged credit report is required for a loan receiving a “Refer” classification, the cost of the merged credit report may also be charged to the veteran.)
- ✧ The portion of taxes, assessments and similar items for the current year chargeable to the borrower and the initial deposit (lump-sum payment) for the tax and insurance account.
- ✧ Hazard insurance.
- ✧ Survey, if required by lender or veteran.
- ✧ Title examination and/or title insurance. If lenders decide that an environmental protection lien endorsement to a title policy is needed, the cost of endorsement may be charged to veterans.
- ✧ Mortgage Electronic Registration System (MERS) – Per Circular 26-05-04
- ✧ In refinancing loans, Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.



Allowable Fees and Charges

- ✧ Such other items as may be authorized in advance by VA Central Office as appropriate for inclusion under this paragraph as proper local variances.
- ✧ VA Funding Fee.
- ✧ A lender may charge and the veteran may pay a flat charge not exceeding one percent of the amount of the loan, provided that the flat charge is in lieu of all other charges relating to costs of origination not expressly specified and allowed in this schedule. Costs covered by the one percent flat charge include the following:
 - * Lender's appraisals
 - * Lender's inspections, except in construction loan cases.
 - * Loan closing or settlement fees.
 - * Preparing loan papers or conveyance fees.
 - * Attorney's services other than for title work.
 - * Photographs.
 - * Postage and other mailing charges, stationery, telephone calls, and other overhead.
 - * Amortization schedules, pass books, and membership or entrance fees.
 - * Escrow fees or charges.
 - * Notary fees.
 - * Commitment fees or marketing fees of any secondary purchaser of the mortgage and preparation and recording of assignment of mortgage to such purchaser.
 - * Trustee's fees or charges.
 - * Loan application or processing fees.
 - * Fees for preparation of truth-in-lending disclosure statement.
 - * Fees charged by loan brokers, finders or other third parties whether affiliated with the mortgage or not.



Allowable Fees and Charges

- * Tax service fees.
 - * Any other fees, charges, commissions, or expenses except those enumerated above.
- ⌘ A veteran may pay a reasonable loan discount charged by the lender
 - ⌘ When a lender supervises the progress of construction and/or makes advances to a veteran in excess of the 50 percent of the loan during construction, alteration, improvement, or repair, the veteran may be charged a fee of up to 2 percent of the loan amount. This charge is in addition to the one percent charge allowed.
 - ⌘ In construction, alteration, improvement or repair loans, including supplemental loans where charges are not permissible under the provisions of paragraph c of the schedule, the lender may charge and the veteran may pay a flat sum not exceeding one percent of the loan amount. This charge may be in addition to one percent origination fee.

Note: If the VA Lender's Handbook does not say a fee is allowable, it is not.





Unallowable Fees, Charges and Penalties

- ✘ **Prepayment Penalties** - Penalty costs for prepayment of an existing lien to be discharged and refinanced by a VA-guaranteed loan may not be included as a loan closing charge. For an acquisition loan, the penalty required to discharge any existing liens on the seller's property may not be charged to or paid by the veteran.

- ✘ **Brokerage Fees** - Fees or commissions charged by a real estate agent or broker in connection with a VA-guaranteed loan may not be charged to or paid by the veteran-purchaser. While use of "buyer" brokers is not precluded, veteran-purchasers may not be charged a brokerage fee or commission in connection with the services of such individuals.

- ✘ **HUD/FHA Application and Inspection Fees** - When commitments are issued for HUD proposed construction, compliance inspections are required even though the properties may be sold to veteran-purchasers financed by VA-guaranteed loans. An application and inspection fee is charged to the builder. In expired commitments, it is necessary for the mortgagee to submit an additional fee and request a new commitment permitting continuation of the inspections. When builders elect to use inspection service in anticipation of selling to veterans or non-veterans, these fees are expenses incurred by the builder for its benefit and are of no advantage to a veteran-purchaser. Therefore, it is not proper for builders to charge veteran-purchasers for all or any part of the HUD application and inspection fee or to pass on these charges in any other form.

- ✘ **Appraisal fee on a Master Certificate of Reasonable Value.**

- ✘ **Unallowable charges may not be collected outside of closing.**



Reference: VA Lender's Handbook, Chapter 8

Credit Requirements





Credit Requirements

VA has certain documentation that lenders must obtain when processing a loan application for a veteran. These requirements can be found in Chapter 4 and 5 of the VA Lender's Handbook.

Following is a list of the documents required when processing a VA loan.

- ✓ Certificate of Eligibility.
- ✓ URLA (Uniform Residential Loan Application).
- ✓ HUD/VA Addendum to URLA (VA Form 26-1802a).
- ✓ Residential Mortgage Credit Report or 3 File Merged Credit Report.
- ✓ Counseling Checklist for Military Home Buyers (VA Form 26-0592). This form is only required for active duty military.
- ✓ Verification of VA Benefit Related Indebtedness (VA Form 26-8937) if applicable.
- ✓ Verification of Deposit (VA Form 26-8497) or original or certified true copies of the last two bank statements.
- ✓ Verification of Employment (VA Form 26-8498) or equivalent. Or alternative documentation as described in Chapter 4, section 2e of the VA Lender's Handbook.
- ✓ Original or certified copy of pay stubs.
- ✓ Sales contract or other purchase agreement.
- ✓ Notice of Value (NOV), Master Certificate of Reasonable Value (MCRV), with all applicable endorsements and/or any change orders, and appropriate LAPP documentation (see VA Lender's Handbook, Chapter 13); AND
- ✓ Uniform Residential Appraisal Report (Freddie Mac Form/Fannie Mae Form 1004, including all attachments, photos and any document(s) revising or correcting the fee appraiser's original report.

CAIVRS



CAIVRS

CAIVRS is an acronym for Credit Alert Interactive Voice Response System. It is a HUD-maintained computer information system that enables lenders to learn if an applicant has previously defaulted on a federally assisted loan. It provides instant credit information through a database containing information from several Government agencies, including HUD and VA. The default information included in the system relates to overpayments on education cases and disability benefits income, and claims paid due to home foreclosures.

A CAIVRS screening is required on every applicant and co-obligor immediately upon receipt of the loan application. This includes Interest Rate Reduction Refinancing (Streamline) loan applicants.

Need access?

Internet access for FHA approved lenders: FHA approved lenders who have FHA user connection Ids should request that their FHA Connection Application Coordinator update their profile to include CAIVRS. FHA approved lenders who do not have user IDs should access the FHA connection at <https://entp.hud.gov/clas/index.cfm> and select “Registering a New User” to request an ID and access to CAIVRS.

Internet access for Non-FHA Participating Lenders: Online access may be requested at www.hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm. Select the “Using CAIVRS” option and bookmark this page as a favorite. Once at the site, select “Registration for Lender User ID” from the main menu and complete all of the fields. Select “Veterans Affairs” for the Agency field and enter the first 10 digits of your VA Lender ID. Each Non-FHA participating lender must request at least one Application Coordinator ID as well as a Standard User ID for each individual user.

Questions?

Please direct questions about problems encountered with online registration or access to the FHA Resource Center at 1-800-CALL-FHA (1-800-225-5342).

Reference: www.homeloans.va.gov/circulars/26_08_18.pdf and VA Lenders Handbook Chapter 4, section 6.



Income

General Requirements for Income Verification

- ◆ Verify two years of employment. If the veteran is employed for less than two years at his or her current job, you must still verify prior employment to cover a total of two years, or provide an explanation of why two years employment could not be verified.
- ◆ Overtime, part-time or second job income cannot be considered reliable unless the applicant has received the income for two years. However, overtime indicated by the employer as “likely to continue” may be used (with caution) after one year.
- ◆ Income from self-employment may be used when it has lasted for at least two years. Copies of the past two years business and individual tax returns must be provided.
- ◆ Commission income can be considered stable after two years’ receipt.
- ◆ Active duty and reserve income must have a minimum of twelve months remaining to be used to qualify. In other cases, retirement income (if applicable) and/or income from a bona-fide civilian job offer must be used.

RENTAL INCOME

- ◆ Multi-Family Housing - The veteran must occupy one of the units. If income to qualify is needed from rentals of the other units, the borrower must demonstrate prior landlord experience and reserves equaling six months PITI.
- ◆ Rental of the borrower’s previous residence - may be used to “wash” the mortgage payment if there is a positive cash-flow and there is no indication the property would be difficult to rent. Ordinarily, a copy of the lease must be furnished; an underwriter familiar with the local rental market may make a determination of the ‘rentability’ of the property.
- ◆ Other rental property - requires documentation (two years tax returns) and reserves equaling three months PITI.





Debts and Obligations

Credit Reports - Must be either a three-file Merged Credit Report (MCR) or a Residential Mortgage Credit Report (RMCR). It must be not more than 120 days old (180 days for new construction) for loans closed on the automatic basis. For prior approval loans, the date must be within 120 days (180 days for new construction) of the date VA receives the application.

For obligations not included on the credit report, which are revealed through the URLA or other means, a verification of deposit showing the loan, or other written verification from the creditor, must be obtained. In the case of allotments showing on a pay stub or LES, a relation between the allotment and a debt must be determined. Resolve all discrepancies.

Equal Credit Opportunity Act (ECOA) prohibits requests for, or consideration of, credit information on a spouse who will not be contractually obligated on the loan except if the applicant is relying on alimony, child support, or maintenance payments to the spouse OR if the property is located in a community property state.

General Rule: A borrower with no derogatory references within the last twelve months can be considered to have acceptable credit unless there are outstanding judgments or unresolved Federal debts.

An *absence of credit history is not a reason for disapproval.* If possible, obtain references from non-traditional sources of credit.

Judgments - The loan cannot be approved with an unpaid judgment regardless of other factors.

Collection Accounts - A borrower with an unacceptable credit history does not become acceptable simply by paying off collection accounts around the time of the loan application. Conversely, a borrower with an otherwise favorable history might be considered acceptable with an isolated unpaid collection account. If a borrower is disputing a collection account, VA will not insist that it be paid as a condition for loan approval. However, a bona-fide dispute should leave some sort of a paper trail and this should be validated.

Bankruptcy

- ~ **Chapter 13** - a paid as agreed history for twelve months and a letter from the trustee would constitute reestablished credit, assuming that there were no other derogatory items.



Debts and Obligations

Bankruptcy (continued)

~ **Chapter 7** - requires a period two years since the bankruptcy was discharged. An exception would be a documented situation where the majority of the debts were medical in nature. This would be beyond the applicant's control and would require twelve months with no derogatory credit.

Consumer Credit Counseling - If entered into before delinquency, it's a neutral or positive factor. If entered into after delinquency, an acceptable payment history of twelve months is necessary along with approval of the counselor or team leader.

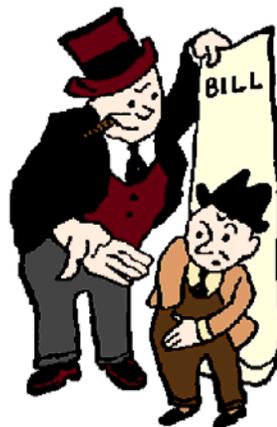
Foreclosures - Follow guidelines for Chapter 7 bankruptcy. Keep in mind that if the foreclosure was on a VA-guaranteed loan and VA suffered a loss, the veteran may not have enough remaining entitlement to guaranty the new loan.

Federal Debts - Must be paid in full, in uncollectable status or on a repayment plan.

Divorce Situations - Delinquent payments made after assignment of responsibility to spouse may be disregarded.

Zero Balance Revolving Accounts - no longer require a minimum payment to be calculated into the ratio.

Child Care expenses are still included in the Debt to Income ratio on VA loans. The tax credits for these expenses would be a compensating factor.





Ratio and Residual

Debt-to-Income Ratio

A debt to income ratio compares the veteran's anticipated monthly housing expense and total monthly obligations to the total monthly stable and reliable income. This method assists in the assessment of the potential risk of the loan. It is a guide and, as an underwriting factor, is secondary to the residual income. Consider the ratio in conjunction with all other factors.

The ratio is calculated by taking the sum of the monthly PITI, other assessments such as HOA dues as well as ALL other monthly debts and obligations; THEN dividing the total by the gross income.

In the case of borrowers relying on tax-free income to qualify, "grossing-up" is an allowable convention as a compensating factor. It will give a more realistic debt to income ratio but has no bearing on the residual income. The actual ratio should be listed on the loan analysis sheet and the "grossed-up" ratio should be annotated in the "remarks" section of the analysis. A grossing-up percentage of 15 - 25% is commonly used. The net income figure is adjusted upward by adding the gross-up margin. VA has not set a fixed percentage figure to use as margin.

Residual Income

Residual income guidelines are used to determine whether the veteran's monthly discretionary income is sufficient to meet living expenses after estimated monthly shelter expenses have been paid and other monthly obligations have been met.

The guidelines are based on data supplied in the Consumer Expenditure Survey which is published by the Department of Labor's Bureau of Labor Statistics.

See the VA Lender's Handbook, Chapter 4, section 9e, for the tables and instructions. Remember that ALL dependent members of the household, regardless of the nature of the relationship, should be included when determining the residual requirement.

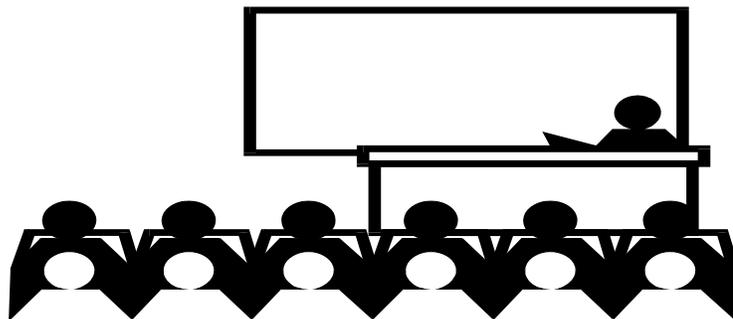




Compensating Factors

Compensating factors are useful when reviewing loans that are marginal - involving a high debt to income ratio or a shortfall in residual income. They cannot be used to compensate for unsatisfactory credit. These factors include, but are not limited to the following:

- ★ Excellent long-term credit history
- ★ Conservative use of consumer credit
- ★ Minimal consumer debt
- ★ Long-term employment
- ★ Significant liquid assets
- ★ Down payment or the existence of equity in refinancing loans
- ★ Little or no increase in shelter expense
- ★ Military benefits
- ★ Satisfactory previous home ownership
- ★ High residual income
- ★ Low debt-to-income ratio
- ★ Tax credits for child-care
- ★ Tax benefits of home ownership.



Internet Training Program on VA Credit Standards



The VA Credit Standards are the essential guidance for underwriting VA home loans. Private sector loan underwriters and VA loan specialists need a thorough and comprehensive understanding of these standards in order to process or review VA home loans. In order to provide consistent training in VA Credit Standards, Loan Guaranty Service has made available a free self-paced course on the Internet entitled “*Hometown USA: VA Credit Standards.*” The course includes lessons on the following topics:

- a. Overview of VA Home Loan Credit Standards
- b. Overview of the Loan Analysis Form.
- c. Eligibility
- d. Type of Loan
- e. Certificate of Reasonable Value
- f. Loan Amount
- g. Assets
- h. Monthly Payments
- i. Debt and Credit History
- j. Income
- k. Residual Income
- l. Debt-to-Income Ratio
- m. Render Final Decision

The Lenders Handbook states, “All VA-approved underwriters must be familiar with VA’s credit underwriting standards.” The new web based training program, successfully completed, will fulfill this training requirement.

This course may be accessed through the Veterans Information Portal, using any standard Internet browser. Users will be asked to login using their e-mail address as a password. They will subsequently be asked to enter their name and the 10-digit Lender Identification Number assigned to their company by VA. All instructions on how to take the course will be presented on-screen.

Paper-based course materials will need to be downloaded and printed at certain points within the course. This course will take the average user approximately 8 hours to finish, and can be completed at the user’s own pace and convenience.

More Training - Satellite Broadcasts & Streaming Video

Satellite Broadcasts

VA Loan Guaranty Service conducts several interactive televised training broadcasts for lenders, brokers, and real estate professionals each year. Each broadcast is one to two hours long, starting at noon eastern time.

The schedule of upcoming broadcasts may be found at www.benefits.va.gov/homeloans/broadcast.asp.

VA Information Videos for Lenders

The instructional videos are 10 - 20 minutes in length. Each explains clearly a specific point of interest to lender employees.

The videos are located at www.benefits.va.gov/homeloans/broadcast.asp.

These videos are in RealAudio format, and require the free Real Player, which may be downloaded on the web site. A fast Internet connection with no firewall problems is required.

The following titles are currently available:

- Overview of the VA Home Loan Program
- VA Appraisals
- VA Minimum Property Requirements (MPRs)
- VA Eligibility
- Underwriting Self-Employed Borrowers
- Bankruptcy in Underwriting

New video titles will be added from time to time, so please check the site often.





Multi-Unit Purchases and Joint Loans

A loan to an eligible veteran for the purchase or construction of residential property consisting of not more than four family units and not more than one business unit is eligible for guaranty. If the property is to be owned by two or more eligible veterans, it may consist of four family units and one business unit, plus one additional unit for each veteran participating in the ownership; thus, two veterans may purchase or construct residential property consisting of up to six family units—the basic four units plus one unit for each of the two veterans, and one business unit. Loans for this purpose may be processed as home loans. These loans will require prior approval by VA when a person other than the veteran's spouse will participate in the ownership of the property consisting of four or more family units. If the property contains more than four family units plus one family unit for each veteran participating in the ownership and more than one business unit, the loan is not eligible for guaranty as a home loan.

Joint Loans

The prior approval of VA is necessary before making a loan to an eligible veteran in which the veteran is to acquire only an undivided interest in the real estate; e.g., when the title to the property is to be vested in the names of the veteran and a person other than the veteran's spouse.

Joint loans fall into two categories:

Vet/Vet

Two or more veterans use their entitlement to jointly purchase a home. Each brings into the transaction their own separate entitlement which, when added together, furnish the lender and investor the same loan guaranty percentage as on a normal VA loan. Each veteran using VA entitlement to secure their portion of the loan must occupy the property.

Vet/Non-Vet

In this situation, only one of the purchasing parties is a veteran and the other party is anyone but the veteran's spouse. In these cases, VA's guaranty on the loan is limited to the portion of the loan that is allocable to the veteran's interest in the property. The lender must then satisfy itself that the requirements of its investor and the secondary market have been met. Since VA applies a tiered guaranty percentage structure, dependent on the loan amount, a lender would receive sufficient guaranty on an overall loan amount of \$90,000 or less. Any amount above this figure would probably require a down payment to supplement the VA guaranty. While occupancy by the veteran is a requirement, it is not for the non-veteran. The income, credit and assets of both parties will be considered for loan approval and the veteran must have sufficient income to repay that portion of the loan allocable to the veteran's interest in the property.



Secondary Borrowing

The second mortgage must meet the following requirements:

| Factor | Requirement |
|--------------------|--|
| Documentation | Documentation must be submitted, disclosing the source, amount and repayment terms of the second mortgage and agreement to such terms by the veteran and any co-obligors. |
| Lien Position | The second mortgage must be subordinated to the VA guaranteed loan, i.e., the second mortgage must be in a junior lien position relative to the VA loan. |
| Allowable Purposes | <p>Proceeds of the second mortgage may be used for a variety of purposes including, but not limited to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Closing costs <input type="checkbox"/> A down payment to meet secondary market requirements of the lender, but <i>may not</i> be used for any portion of a down payment required by VA to cover the excess of the purchase price over VA's reasonable value. |
| Cash Back | There can be no cash back to the veteran from the VA first mortgage or a second mortgage obtained simultaneously. |
| Underwriting | The veteran must qualify for the second mortgage, which is underwritten as an additional recurring monthly obligation. |
| Interest Rate | <p>The rate on the second mortgage may exceed the rate on the VA guaranteed first; however, it may not exceed industry standards for second mortgages.</p> <p>Rule of thumb is that second mortgages are one or two percent above the market interest rates for first mortgages.</p> |
| Assumability | The second mortgage should not restrict the veteran's ability to sell the property any more than the first VA mortgage. |
| Grace Period | <p>There should be a reasonable grace period before:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A late charge comes due or <input type="checkbox"/> Commencement of foreclosure proceedings in the event of default. |

Quality Underwriting





Quality Underwriting

VA is very concerned about the quality of guaranteed loans to veterans while still ensuring that each qualified veteran has a fair opportunity to own a home. It serves no purpose to approve a loan for a veteran who will be unable to meet the repayment terms of the loan or who is not a satisfactory credit risk since the veteran could well lose the home and incur a debt to the US Government, with an adverse effect on the veteran's credit record. Investors and servicers also have a strong financial interest in using sound credit underwriting practices to determine that the veteran has the ability and willingness to repay the loan.

Areas of Concern

A review of defaulted loans indicates that some of them should not have been made. Because of high loan-to-value ratios of VA guaranteed loans, it is critical that underwriters use sound judgment. Areas of concern are:

- ◆ Failure to question and investigate obvious inconsistencies in a loan file.
- ◆ Failure to question multiple Social Security account numbers for a borrower.
- ◆ Failure to clarify inconsistencies in the number of dependents or household size.
- ◆ Failure to consider changes in marital status or household size after application and prior to closing.
- ◆ Failure to obtain documentation of employment history during the previous two years.
- ◆ Failure to consider pay statements showing deductions to creditors that are not shown on the application, credit reports or deposit verifications.
- ◆ Failure to resolve discrepancies between actual year-to-date average monthly earnings with the income claimed on the loan application.





Quality Underwriting

- ◆ Failure to determine future plans of an active-duty serviceperson whose separation from service is imminent (within 12 months).
- ◆ Failure to clarify the absence of an employer's statement concerning the probability of continued employment on an employment verification.
- ◆ Showing that a borrower is a salaried employee when, in fact, the borrower works solely on a commission basis, is a contract employee or is actually self-employed.
- ◆ Failure to use net profit or net income from Schedule C or IRS Form 1040 rather than the gross income of a borrower who is self-employed.
- ◆ Requiring the veteran to sign partially completed or blank forms.





Underwriting Concerns

The following is a list of the most frequent underwriting errors/omissions that are discovered during full reviews or early default reviews. The paragraph reference to the VA Lender's Handbook, **Chapter 4**, is shown in parentheses for the item listed.

Adverse credit not explained by the borrower. [sec. 7c]

Adverse credit: cause of alleged circumstances (judgment, collection, bankruptcy, etc.) not fully documented, e.g. by third party information. [sec. 7e & f]

Adverse credit: payoff of judgments/collections after loan application does not alter adverse credit. [sec. 7c]

Automated underwriting: Documentation guidelines required for an ACCEPT were not provided. [sec. 8 c - f]

Compensating factors not documented satisfactorily. [sec. 10d]

Compensating factors not given when income ratio exceeds 41%, residual guideline not exceeded by 20%. [sec. 10b]

Credit reports: Copies of all original and supplemental not included. [sec. 7a and Chapter 5, sec. 5a]

Credit reports: Residential Mortgage Credit Report, (RMCR) and /or Three-File Merged Credit Report, (MCR), standards were not met. [sec. 7a]

Debts not considered and/or verified. [sec. 5a]

Employment/income: Alternative documentation requirements not met e.g. telephone VOE, W-2's. [sec. 2e]

Employment/income: Contract expiration for officer's current contract not provided. Income not stable/reliable. [sec. 2k]

Employment/income: Missing DD Form 1747 or form verifying indefinite continuation of payment of BAH. [sec. 2k]

Employment/income: Deductions/allotments on pay stubs/leave and earnings statements not explained. [sec. 2a & 5a]

Employment/income: Future plans for active duty service member (service separation within 12 months of closing) not documented. Income not stable/reliable. [sec. 2k]



Underwriting Concerns

Employment/income: Improper verification of other income (child support/Social Security/rental income. [sec. 2o, p & r]

Employment/income: Pay stubs were not provided. [sec. 2e]

Employment/income: Self-employed income not properly verified/calculated. [sec. 2j]

Employment/income: Short-term, temporary, or sporadic income used to qualify borrower/co-borrower. [sec. 2g]

Employment/income: Two year employment history not properly verified. [sec. 2e]

Expenses: Job related or childcare not considered. [sec. 5b & 9c]

Loan analysis: No supervisor signature when debt ratio is over 41%, and the residual is not exceeded by at least 20%. [sec. 10b]

Loan analysis: Incomplete, not provided, or not signed by VA approved underwriter. [sec. 9]

Loan analysis: No underwriter justification for employment less than 12 months. [sec. 2f]

Employment Income: Incorrect income calculation used. [sec. 2b] Income from part-time jobs, overtime work, Bonuses, other types of income, with less than 2 years of verification used to qualify the loan. [sec. 2h]

Loan analysis: Incorrect number of dependents used. [sec. 1d]

Loan analysis: Incorrect residual guideline used. [sec. 9e]

Loan analysis: Non-taxable income grossed up for the residual = artificial inflation of actual income. [sec. 9f]

Maintenance of records Noncompliance with 38 CFR 36.4330(b) 2 year requirement for all loan origination documents. [sec. 11a]



Underwriting Concerns

Maximum loan amount Noncompliance with section 3710(b)(5), title 38, U.S.C. loan amount exceeds reasonable value plus funding fee. [sec. 3a]

Maximum loan amount Noncompliance with section 38 CFR 36.4306(f) loan amount exceeds maximum allowable for Refinance loans.[sec. 3a]

Pay history for prior housing/rental not documented. [sec. 5a & 7c]

Underwriting deficiencies not resolved. [sec. 11]

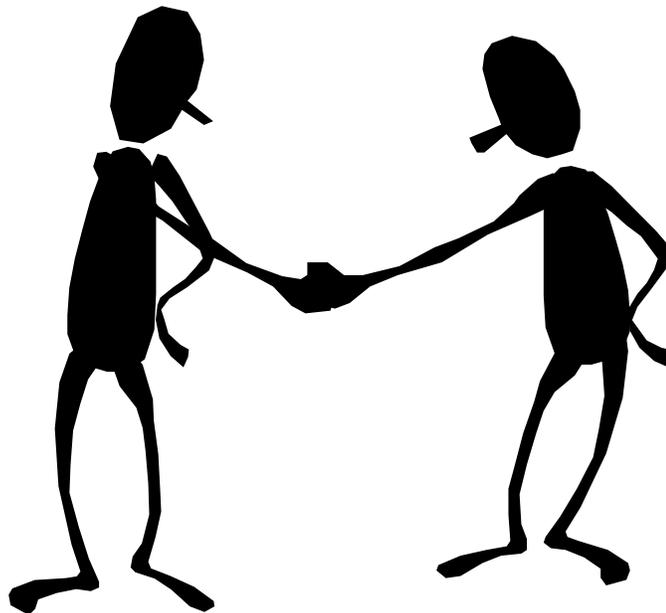
Verification of Deposit: Evidence not acceptable. [sec. 4b]

Verification of Employment: Deficiencies found. [sec. 2e]

Verified liquid assets: Insufficient for closing. [sec. 4b]



Loan Closing





Modified Submission Procedure

This procedure will be used only if the automatic lender cannot obtain a Loan Guaranty Certificate (LGC) on the WebLGY system.

Modified Guaranty Submission Procedure

Lenders must submit copies (except Certificate of Eligibility, which must be original) of only the items listed below (in the order listed) to VA when requesting guaranty for all loans except Interest Rate Reduction Refinancing Loans (IRRRLS).

- ✓ VA Form 26-0286, Loan Summary Sheet
- ✓ Certificate of Eligibility,
- ✓ Evidence of payment of funding fee (or completed VA Form 26-8937, Verification of VA Benefits, showing that veteran is exempt),
- ✓ Notice of Value (NOV),
- ✓ VA Form 26-1820, Report and Certification of Loan Disbursement,
- ✓ HUD 1, Settlement Statement,
- ✓ Name and mailing address to be used in requesting file for full review or post audit, and
- ✓ If available, e-mail address, which may be used to request file in lieu of letter.





IRRRL Submission

1. Lender's cover or transmittal letter (if used)
2. VA Form 26-0286, VA Loan Summary Sheet
3. Evidence of payment of the VA Funding Fee
4. Old Loan vs. New Loan comparison sheet signed by the veteran
5. VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet
6. VA Form 26-1820, Report and Certification of Loan Disbursement
7. VA Form 26-8937, Verification of VA Benefit-Related Indebtedness (if applicable)
8. HUD-1 Settlement Statement
9. VA Form 26-0503, Federal Collection Policy Notice
10. Lender's certification that the prior loan was current (not more than 30 days past due) at the time of loan closing (A copy of the credit report does not satisfy this requirement.)
11. 60-day letter (if late reporting)
12. Documentation for energy efficient improvements included in the loan, if applicable
13. Any other necessary documentation, including CAIVRS screening.

Reference: VA Lender's Handbook, Chapter 6, section 1q



Common Errors

- ✘ The CAIVRS number is missing.
- ✘ VA Form 26-1820, Report and Certification of Loan Disbursement, is not fully completed and is not signed by the lender and/or borrower.
- ✘ “Exempt” from funding fee entry not being made in the funding fee payment system.





VA Loan Summary Sheet

TIPS FOR COMPLETION OF VA FORM 26-0286, VA LOAN SUMMARY SHEET

#7 - Veteran's Date of Birth

Especially important in IRRRL submissions where a COE isn't always submitted.

#17 - Type of Ownership

- If joint loan with two or more veterans, #2 must *always* be checked.
- If the above does not apply, review URAR to determine whether property is in a PUD (#5) or is a condominium (#6).
- If neither of the above-listed situations applies, check Sole Ownership (#1) or Joint-Veteran/Non-Veteran (#3) as applicable.

Note: "Sole-Ownership" includes the veteran and spouse when spouse is a non-veteran or is a veteran not using entitlement.

#21 - Energy Improvements

- Up to \$3,000: need only documentation of cost of improvements.
- \$3,001 to \$6,000: need documentation of costs and lender's determination that the increase in mortgage payment does not exceed the likely reduction in monthly utility costs.
- Over \$6,000: need a new value determination.



VA Loan Summary Sheet

#35 - Lender VA ID Number

- Use the number that VA has assigned to the office you wish to receive the Loan Guaranty Certificate.

#46 to 52 - Income Information

- Required for all loans except IRRRL. Omission of this information could result in suspension of processing the Loan Guaranty Certificate.

#59 - Funding Fee Exemptions*

- In receipt of compensation (not pension) for a service-connected disability.
- But for the receipt of military service retirement pay, would be entitled to receive compensation from VA.
- Surviving spouses of veterans who die in the service or from service-connected disabilities.

*Documentation required for the above exemptions:

- Verification of VA Benefit-Related Indebtedness (VA Form 26-8937)
- For a veteran who elected service retirement pay in lieu of VA compensation, a copy of the original VA notification of disability rating and documentation of the veteran's service retirement income.
- Certificate of Eligibility indicates that the borrower is entitled as an unmarried surviving spouse.

#60 to 62 – For IRRRLs Only

- Previous VA loan information must be completed so previous loan may be coded as refinanced in our system.



Full Reviews

Full Reviews

The WebLGY system or appropriate VA field station will identify cases selected for full review. WebLGY will notify the lender at the time of guaranty if a full review package is required to be sent to VA. If the loan guaranty was processed by the VA Regional Loan Center, the lender will be notified, via letter or e-mail, if a full package is required for audit. Regardless of the means of notification, lenders must forward the complete origination package to the requesting VA office within 15 days of receiving notification.

Audit files and deficiency responses can now be uploaded directly to WebLGY.

Open the loan record and click on the “Correspondence” link. Associate the document with “Loan Review”, choose LR File (for audit files) or LR Deficiency (for deficiency responses), then browse for your file and click “Submit”.

The list of documents to be submitted for full review is in Chapter 5, section 5a, of the VA Lender’s Handbook.

***Note:** VA field stations may, at their discretion, terminate a lender’s participation in the WebLGY system or the modified submission procedure if that lender demonstrates an ongoing inability or unwillingness to be timely in responding to full review requests from VA.*





Full Reviews

Active duty certification: Not provided. [VA Forms 26-1820 page 2, and 26-8320]

CAIVRS: Need evidence of screening. [Chapter 4, sec. 1d & 6c]

Certifications: Need to be signed by lender representative for Automated Underwriting Systems. [Chapter 4, sec. 8b]

NOV: Evidence the following conditions and requirements affecting property eligibility were met. [Chapter 13, sec. 6]

Forms: Veteran signed blank or partially completed. [Chapter 4, sec. 11d]

Interest Rate and Discount Disclosure Statement Not provided. [Chapter 5, sec. 5a]

IRRRL certification the loan is current: Missing or not signed by lender. [Chapter 6, sec. 1q]

IRRRL Comparison Letter: Missing or not signed by the borrower. [Chapter 6, sec. 1d & q]

IRRRL VA Form 26-0503: Missing Federal Collection Policy Notice or 26-1802a. [Chapter 6]

IRRRL VA Form 26-8923 Interest Rate Reduction Refinancing Worksheet not provided or properly signed. [Chapter 6, sec. 1g]

Late reporting: Certification that the loan is not in default when submitted more than 60 days after closing not provided. [Chapter 5, sec. 5a, and CFR 36.4303(a)]

Lender Loan Quality Certification Missing or not signed by a company officer. [Chapter 4, sec. 1d, step 7, Chapter 5, sec 5a, and 38 CFR 36.4337(k)]

Power of Attorney Specific or general, and or the Alive and Well Statement not provided or properly signed. [Chapter 9, sec. 7]

Sales contract: Copy not included in the loan file. [Chapter 5, sec. 5a, step 20]

Underwriter: No evidence of VA approval. [Chapter 1, sec. 6a]

Uniform Residential Loan Application: Incomplete and or unsigned (URLA). [Chapter 5]

VA Form 26-0592 Missing Counseling Checklist for Military Homebuyers. [Chapter 5, sec. 5a]

VA Form 26-1802a, Addendum to Uniform Residential Loan Application, was not signed/dated by all parties. [Chapter 5, sec. 5a, step 16]

VA Form 26-1820: Need occupancy certification at loan closing. [sec. 3704c, Title 38. U.S.C.; Item 24G]

Directory



Regional Loan Centers

| RLC | Mailing Address | Telephone/e-mail | States in Jurisdiction |
|----------------|---|--|---|
| Manchester | See Cleveland | See Cleveland | Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont |
| Cleveland | VA Regional Office 1240 E 9th Street Cleveland, OH 44199 | Production: (800)729-5772 Administration: (800)729-5772 E-Mail: vahomesite@va.gov | Delaware, Indiana, Michigan, New Jersey, Ohio, Pennsylvania |
| Roanoke | VA Regional Office 116 N Jefferson St Roanoke, VA 24011 | Production: (800)933-5499 ext 3171 Administration: (800)933-5499 ext 3123 E-Mail: roanoke.lp@va.gov | District of Columbia, Kentucky, Maryland, Virginia, West Virginia |
| Atlanta | VA Regional Office PO Box 100023 Decatur, GA 30031-7023 or 1700 Clairmont Road Decatur, GA 30033-4032 | Production: (888)768-2132 Ext. 2 atlloanprod@va.gov Administration: (888)768-2132 Ext. 1 E-Mail: atlloanadmn@va.gov | Georgia, North Carolina, South Carolina, Tennessee |
| St. Petersburg | VA Regional Office PO Box 1437 St. Petersburg, FL 33731 | Production: (888)611-5916 Administration: (888)611-5916 E-Mail: fl/homeloan@va.gov | Alabama, Florida, Mississippi, Puerto Rico |

(Continued)

Regional Loan Centers

(Continued)

| RLC | Mailing Address | Telephone/e-mail | States in Jurisdiction |
|----------|---|---|--|
| St. Paul | VA Regional Office 1 Federal Dr., Ft. Snelling St. Paul, MN 55111 | Production: (800)827-0611 Administration: (800)827-0611 E-Mail: RLC335@va.gov Web Site: www.vba.va.gov/rostpaul.htm | Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin |
| Houston | VA Regional Office 6900 Almeda Road Houston, TX 77030 | Production: (888)232-2571 ext 3104 Administration: (888)232-2571 ext 3602 E-Mail: houstonlgy@va.gov | Arkansas, Louisiana, Oklahoma, Texas |
| Denver | VA Regional Office 155 Van Gordon Street Lakewood, CO 80228 | Production: (888)349-7541, option 2 Administration: (800)319-9446 E-Mail: lgyemail@va.gov Web Site www.vba.va.gov/denver-ro.htm | Alaska, Colorado, Idaho, Montana, Oregon, Utah, Washington, Wyoming |
| Phoenix | VA Regional Office 3333 North Central Ave. Phoenix, AZ 85012-2402 | Production: (888)869-0194 Administration: (888)869-0194 E-Mail: vavbapho/ro/lgyinq@va.gov Web Site: www.vba.va.gov/ro/phoenixlgy/index.htm | Arizona, California, Nevada, <i>New Mexico</i> (effective August 1, 2006) |

NOTE: Due to geographic considerations, all Loan Guaranty operations for Hawaii and the Pacific Islands will remain in Honolulu.

Denver Regional Loan Center Directory

| | Denver RLC | Loan Production | Eligibility Inquiries | Appraisals (C&V) | Loan Administration |
|---|---|---|--|--|---|
| Alaska Colorado Idaho Montana Oregon Utah Washington Wyoming | <u>Mailing Address</u> Box 25126 Denver, CO 80225-0126 <u>Physical Address</u> 155 Van Gordon St. Lakewood, CO 80228 | Toll Free (888) 349-7541 Option 2 Fax (303) 914-5666 e-mail: lgyemail@va.gov | Atlanta RLC Attn: COE (262) PO Box 100034 Decatur, GA 30031 Toll Free: 888-768-2132 | Toll Free (888) 349-7541 Option 1 Fax (303)914-5618 e-mail: 39/va262@va.gov | Toll Free (800) 319-9446 Nationwide (877) 827-3702 Fax (303) 914-5616 e-mail: loanadmin.vbaden@va.gov |

Office of the Chief

Pat Arnold, Loan Guaranty Officer
 Vacant, Assistant Loan Guaranty Officer

Loan Administration Section

Myra Chaney, Loan Administration Officer

Construction and Valuation Section

Jack Chaney, Valuation Officer

Loan Production Section

Dani Terrell, Loan Production Officer

VA Nationwide (800) 827-1000

Internet Access

VA Home Page - www.va.gov

VA Loan Guaranty - www.benefits.va.gov/homeloans

Denver VA - www.benefits.va.gov/denver/

Web Site Directory



| Address | What's There? |
|--|--|
| www.benefits.gov/homeloans | Lender's Handbook, VA forms, FAQs, information pamphlets, Regional Office directory |
| www.vba.va.gov/denver-ro.htm | Training modules, Veteran Links, pre-qualification worksheet, etc. |
| vip.vba.va.gov | Veterans Information Portal |
| www.va.gov/vaforms | VA Forms |
| http://vetrecs.archives.gov | National Archives and Records Administration (order records) |
| www.nasdva.us | National Association of State Directors of Veterans Affairs |
| www.military.com | Military pay charts, housing, installations, etc. |
| www.dfas.mil | Active and retired military pay. Civilian employee of military pay. |
| www.benefits.va.gov/HOMELOANS/realtors_property_mgmt.asp | Information VA's property management contract.. |
| http://listings.vrmco.com/ | Vendor Resource Management (VA property listings) |
| www.mortgage-x.com | Mortgage calculators, find a lender, closing costs explained, etc. (Independent information service, not affiliated with any lending institution.) |



Housing Assistance Programs – Denver RLC

Nationwide

| Program | Address | POC/Telephone |
|--|--|------------------------------|
| The AmeriDream Charity, Inc. (Down Pymt/Closing Costs Asst Program) | PO Box 884 Washington Grove MD 20880 | 301-977-9133 |
| Esther Grants for Homeownership | 1716 Meadowlark Ln Orem UT 84097 | 866-937-8437 |
| HART - Housing Action Resource Trust | Rancho Cucamonga, CA | 909-945-1574 |
| Home Downpayment Gift Foundation | 1808 Corcoran St. NW Washington, DC 20009 | 888-856-4600 |
| The Nehemiah Program | 1851 Heritage Lane, Su 201 Sacramento CA 95815 | 877-634-3642 |
| Neighborhood Gold (Down Pymt Asst Program) | 313 E Univ Pkwy Orem UT 84058 | 801-224-4412 888-627-3023 |
| TND - Teacher Next Door Program HUD | 451 7 th St, SW Washington, DC 20410 | 800-217-6970 202-708-1112 |

Alaska

| Program | Address | POC/Telephone |
|------------------------------------|---|----------------------------------|
| AHFC - Alaska Housing Finance Corp | 4300 Boniface Parkway Anchorage AK 99510 | Glen Turner 907-330-8207 |
| H\$P - Home \$tart Savings Program | PO Box 107025 Anchorage AK 99510 | Michael Musgrove 907-257-3086 |

Colorado

| Program | Address | POC/Telephone |
|---|---|--------------------------------------|
| CHFA – Colorado Housing and Finance Authority | 1981 Blake Street Denver CO 80202-1272 www.chfainfo.com | Home Finance Division 888-3203688 |
| City of Boulder Housing Assistance | PO Box 791 Boulder CO 80306 | Jeffrey Yegian 303-441-4363 |
| DCHP – Down Pymt Asst Program (Douglas County Housing Partnership) | 9350 Heritage Hills Cr Lone Tree CO 80124 | Lisa Elias 303-784-7857 |
| DPAL - Down Pymt Asst Loan Program CHAC (Colo Hous Asst Corp) | 670 Santa Fe Dr Denver CO 80204 | 303-572-9445 |
| DPAP – Down Pymt Asst Program City of Colorado Springs | 831 S Nevada Ave Colorado Springs CO 80901 | 719-387-6700 |
| HBAP – Home Buyer Asst Program City of Fort Collins | PO Box 580 Fort Collins CO 80522-0580 | Julie Smith 970-221-6758 |
| HDAP - Home Down Pymt Asst Program | 2631 E 4 th St Pueblo CO 81001 | Ada Clark 719-583-4477 |
| HOAP – Home Ownership Asst Program City of Aurora | 9801 E Colfax Ave Aurora CO 80010 | 303-361-2989 |
| MRB – First Step Program CHFA (Colorado Housing & Fin Authority) | 1981 Blake St Denver CO 80202-1272 | 303-297-7332 |
| RFHP – Rural First Time Home Buyer Program | 400 S. Quadrangle Dr., Ste A Bolingbrook IL 60440 | Ashley Baumgartner 630-378-9931 |



Housing Assistance Programs – Denver RLC

Idaho

| Program | Address | POC/Telephone |
|---|---|----------------------|
| ADDI – Am Dream Down Pymt Initiative Prog IHFA - Idaho Housing & Finance Assoc | 565 W Myrtle St Boise ID 83707-1899 | 208-331-4882 |
| AHOP- Assisted Home Ownership Program Boise City Housing Authority | 1276 River St, Su 300 Boise ID 83702 | 208-345-4907 |
| HOME – Down Pymt & Closing Cost Asst Prog IHFA - Idaho Housing & Finance Assoc | 565 W Myrtle St Boise ID 83707-1899 | 208-331-4882 |

Montana

| Program | Address | POC/Telephone |
|---|--|---------------------------------|
| CAP – Homebuyers Cash Asst Program MBOH (Montana Board of Housing) | PO Box 200528 Helena MT 59620-0528 | Robert Morgan 406-444-3040 |
| FTHP - First Time Homebuyers Program City of Billings | 510 N Broadway, 4 th Floor Billings MT 59103 | Vicki Lapp 406-657-8281 |
| HSP - Home Start Savings Program | 1595 Spruce St Riverside CA 92507 | Loretta Johnson 909-786-6223 |
| HOME - Lewistown Homebuyer Program | 300 First Avenue North, Su 203 Lewistown MT 59457 | Esther Distad 406-538-7488 |
| NHS - Neighborhood Housing Services City of Great Falls | 509 1 st Ave South Great Falls MT 59401 | 406-761-5852 |
| RTH – The Road to Home | PO Box 200528 Helena MT 59620-0528 | Nancy Leifer 406-841-2849 |

Oregon

| Program | Address | POC/Telephone # |
|--|--|------------------------------|
| DPAP - Down Payment Asst Grant Program Grand Ronde Tribal Housing Authority | 9615 Grand Ronde Rd Grand Ronde OR 97347 | Nancy Holmes 503-879-2401 |
| HIP - Homeownership In Progress | 902 W Stanton Roseburg OR 97470 | Trudy Layton 503-673-6548 |
| HPAP - Home Purchase Asst Program Oregon Housing & Comm Svcs Dept | 1600 State St Salem OR 97301 | Jon Gail 503-581-3522 |
| SHOP - Springfield Home Ownership Program | 400 SW Sixth Ave, Su 700 Portland OR 97204-1632 | Kevin Ko 503-326-2684 |
| SOHRC – Southern OR Housing Resource Ctr City of Medford | 3630 Aviation Way Medford OR 97504 | 541-779-6691 |

Utah

| Program | Address | POC/Telephone |
|---|--|----------------------------------|
| BRAG - Bear River Assoc of Govts Program of Utah | 170 N Main St Logan UT 84321 | Dolores or Jeff 435-752-7242 |
| HML - firstHome Mortgage Loan program UHFA - Utah Housing Finance Agency | 554 South 300 East Salt Lake City UT 84111 | William Erickson 801-521-6950 |
| OISL - Own in Salt Lake City Comm Development Corp of Utah | 501 East 1700 South Salt Lake City UT 84105 | Nancy Lorenzo 801-994-7222 |



Housing Assistance Programs – Denver RLC

Washington

| Program | Address | POC/Telephone |
|---|---|--|
| CNPH - Columbia Non-Profit Housing (First Home Loan Program) | 2500 Main Street Vancouver WA 98660 | Frank L'Amie 360-694-8369 |
| DPAP - Down Payment Assistance Program City of Bremerton | 286 4 th Street Bremerton WA 99337 | Michelle Eichhorn 360-478-5375 |
| DPAP - Down Payment Assistance Program City of Richland | PO Box 190, M.S. 20 Richland WA 99352 | Michelle Burden 509-942-7580 |
| DPAP - Down Payment Assistance Program City of Yakima | 112 S Eighth St Yakima WA 98901 | Donna Lindsey 509-575-6101 |
| DPAP - Down Payment Asst Program Lummi Nation | Lummi Indian Business Council | Mary-Lummi Tribal Housing 360-384-2278 |
| DPAP - Down Payment Asst Program Pierce County | 3602 Pacific Ave, Su 200 Tacoma WA 98418 | Bryan Schmid 253-798-6909 |
| FHLB - Federal Home Loan Bank of Seattle (Shekinah Down Pymt Asst Program) (Welcome Home Bremerton Asst Prog) | Community Resource Center 636 N Montgomery Ave, #1 Bremerton WA 98337 | Julie Myers 360-373-3697 |
| HSP - Home Start Savings Program | PO Box 2215 Everett, WA 98203 | Tiffany Lock 425-514-3721 |
| INFILL - Down Payment Assistance Program CNPH (Columbia Non-Profit Housing) | 2500 Main Street Vancouver WA 98660 | Frank L'Amie 360-694-8369 |
| INFILL - Homeownership Program City of Richland | PO Box 190, M.S. 20 Richland WA 99352 | Michelle Burden 509-942-7580 |
| TCRA - Tacoma Comm Redevelopment Auth (Down Payment Assistance Program) | 747 Market St, Rm 1036 Tacoma WA 98402 | Gary Tiedeman 253-591-5219 |

Wyoming

| Program | Address | POC/Telephone |
|---|---|-------------------------------|
| WCDA - Wyoming Comm Development Auth (Opportunity Homeownership) | 155 N Beech Casper WY 82602 | Cheryl Gillum 307-265-0603 |
| WSHFC House Key Veteran Down Payment Assistance Program | 1000 Second Ave., Suite 2700 Seattle WA 98104-1046 | Karen Carlson 206-287-4413 |
| Eastern Shoshone Housing Authority Award Program | PO Box 1250 Ft. Washakie WY 82514 | Cheryl Arthur 866-305-3299 |



Notes

Appendix





Forms for VA Loan Processing

VA Form 26-0286 - The VA Loan Summary Sheet

The primary document used by VA personnel to extract the data that goes into VA's systems. The date of VA Form 26-0286 also affects the information printed on the Loan Guaranty Certificate. The importance of complete and accurate information on this form has been elevated under the Modified Guaranty Submission Procedure the Current Issues section of the Lender's Handbook. It is essential that lenders ensure the form is fully and accurately completed.

VA Form 26-1805 - Request for Determination of Reasonable Value (Real Estate)

This form is prepared by lenders, through TAS, for each requested VA loan, except IRRRLs, regardless of the lender's authority to review VA appraisals and approve loan requests without VA's prior approval of each case. Lenders must first prepare the 1805 before the appraiser can determine the market value of the property so the lender can determine whether the home can serve as collateral for the proposed VA loan.

VA Form 26-1820 - Report and Certification of Loan Disbursement

Used to report all closed home loans to VA and to request guaranty of the loans. Due to the Modified Guaranty Submission Procedure, this is one of several documents that will be submitted to VA on each case where a guaranty is requested. It is essential that lenders ensure the form is fully and accurately completed.

VA Form 26-1880 - Request for Determination of Eligibility and Available Loan Guaranty Entitlement

In the event that the lender is unable to process the Certificate of Eligibility (COE) through the electronic Certificate of Eligibility system, this form must be sent to one of the VA Eligibility Centers for each loan applicant who does not already have a (COE). VA uses the 1880 form and copies of statements of service or military discharge documents, usually DD Form 214, to issue COEs. Members of Reserves and National Guard units need different forms to document their service. If the loan applicant is an unremarried surviving spouse (widow or widower) of an eligible veteran who died of a service-connected injury or disability, then VA needs a completed VA Form 26-1817 instead of the 1880.



Forms for VA Loan Processing

VA Form 26-8937 - Verification of VA Benefits

This form is used when:

the veteran is receiving VA disability benefits;

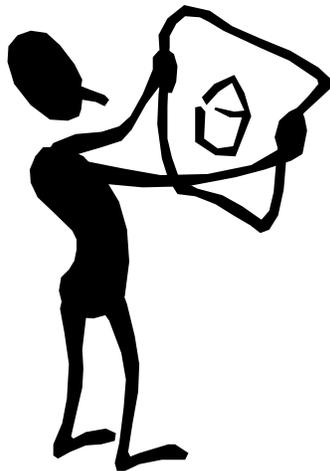
the veteran indicates he/she would be entitled to receive VA disability benefits but for the receipt of retired pay;

the veteran indicates he/she has received VA disability benefits in the past, or

the applicant is a surviving spouse of a veteran who died on active duty or as a result of a service-connected disability.

Important note: Enhancements have been made to the WebLGY system and exemption information is located on the Certificate of Eligibility, as well as the status screen for IRRRLs. *In most cases, there is no reason to have the Verification of Benefits processed.* The COE may be used for exemption, as well as disability income information.

Verification of Benefits forms will **not** be processed by the Regional Loan Centers when exemption information is shown on the COE or IRRRL status screen.





Acronyms and Abbreviations

CABO - The Council of American Building Officials

A national organization that educates local builders and building inspectors concerning acceptable methods of home construction. CABO issued a 1992 Model Energy Code (MEC) which informs builders concerning methods to make homes more energy efficient.

CAIVRS - Credit Alert Interactive Voice Response System

A HUD-maintained computer information system which enables lenders to learn when an applicant has previously defaulted on a federally-assisted loan. Lenders perform a CAIVRS screening on each applicant and any co-obligor upon receipt of a loan application

COE - Certificate of Eligibility

Issued by VA to individual veterans to show available entitlement and any prior use of the VA guaranteed home loan benefit.

EEM - Energy Efficiency Mortgage

This is a portion of a home loan for costs to improve the energy efficiency of the property. The amount of the EEM can be a maximum of \$3,000 if the improvement items are listed at closing and supported by invoices for VA review after closing, or between \$3,000 and \$6,000 if the increase in the loan payment is shown at closing to be less than the saved utility costs, or over \$6,000 if VA reviews the property value and approves the list of improvements and costs before closing.

IRRRL - Interest Rate Reduction Refinance Loan

Also known as a streamline loan, IRRRL is a refinance of an existing VA home loan to reduce the interest rate and not to disburse cash from equity in the home. No appraisal or credit underwriting is needed.

LAPP - Lender Appraisal Processing Program

Authorization by VA to individual lenders who have also received automatic loan processing authority from VA. LAPP gives automatic lenders the authority to review appraisals and issue Notices of Value (NOV) directly to loan applicants instead of sending them to VA for review and NOV issuance.



Acronyms and Abbreviations

MEC - The 1992 Model Energy Code

Sets forth minimum requirements for the design of new structures in regard to mechanical, electrical, service water-heating, illumination systems and equipment that will enable effective use of energy in new building construction.

NOV - Notice of Value

Informs veteran borrower of the “reasonable value” of a property. Issued to individual veterans by VA or LAPP lenders.

RESPA - Real Estate Settlement Procedures Act

Requires certain disclosures at the time of loan application (Good Faith Estimate, Special Information Booklet, Mortgage Servicing Disclosure Statement), at loan settlement (HUD-1 Settlement Statement, Initial Escrow Statement), and disclosures after settlement (annual escrow statement, servicing transfer statement). The Department of Housing and Urban Development (HUD) is responsible for enforcement of RESPA requirements.

SAR – Staff Appraisal Reviewer

Employee of lender. Issues Notices of Value based on appraisal report.

VIP – Veterans Information Portal

Centralized Internet-based system containing information regarding all aspects of the Veterans Benefits Administration. This is a public site.

With a user ID and password, Loan Guaranty systems such as The Appraisal System and E-Appraisals and WebLGY/Automated Certificate of Eligibility may be accessed through VIP. This system has narrowed down the number of logons needed to one.

WebLGY – Web Loan Guaranty

Lenders may order Certificates of Eligibility electronically. They may also process Loan Guaranty Certificates on this site.

Notes

Pre-Qualification Worksheet

NAME: _____

FAMILY SIZE: _____

MTG AMOUNT: \$ _____

INCOME

- 1. Gross Monthly Income
(1) \$ _____

- 2. Monthly Housing Expense (PITI)
 - a. Principal and Interest@____%
 - b. Property Taxes
 - c. Homeowners Ins./HOA Dues
 (2) \$ _____
 Total (-) \$ _____

- 3. Monthly Debts and Obligations
 - a. Car(s)
 - b. Revolving Charge Accounts
 - c. Installment Loans
 - d. Child Care Expenses
 - e. Other \$ _____
 (3) \$ _____
 Total (-) \$ _____

- 4. Monthly Maintenance & Utilities
(14 cents per square foot)
(4) \$ _____
 Total (-) \$ _____

- 5. Monthly Taxes
 - a. Federal Income Tax (from tax tables)
 - b. State Income Tax (from tax tables)
 - c. Social Security (salaried or SE'd)
 (5) \$ _____
 Total (-) \$ _____

- 6. Residual Income
 - a. Amount required (see chart next page)
 - b. From worksheet (1) minus (2,3,4,5)
 \$ _____ \$ _____

- 7. Debt to Income Ratio (should be under 41%)
(2) + (3) divided by (1) _____%

VA Income Guidelines - Present and anticipated income of a VA loan applicant can be determined adequate by two considerations: residual income and the ratio of debt-to-income. If a loan analysis indicates that one guideline will not be met, it may still be possible to use the other guideline to counterbalance the shortcoming.

Credit - Applicant must have a minimum of 12 months (preferably 2 years) paid-as-agreed credit. Two years of satisfactory credit following Chapter 7 bankruptcy. Satisfactory payment for 12 months following chapter 13 bankruptcy and Trustee or Bankruptcy Judge approval of the new credit.

Employment Stability - Evidence of two years employment with current employer. If less than two years, verify prior employment plus present employment covering a total of two years. For self-employment to be considered stable, applicant must have been in business at least two years.

Note: Self-calculating pre-qualification worksheet may be found at www.benefits.va.gov/denver/LoanProduction.asp

Table of Residual Incomes by Region

For loan amounts of \$79,999 and below

| Family Size | Northeast | Midwest | South | West |
|-------------|---|---------|-------|---------|
| 1 | \$390 | \$382 | \$382 | \$425 |
| 2 | \$654 | \$641 | \$641 | \$713 |
| 3 | \$788 | \$772 | \$772 | \$859 |
| 4 | \$888 | \$868 | \$868 | \$967 |
| 5 | \$921 | \$902 | \$902 | \$1,004 |
| Over 5 | Add \$75 for each additional member up to a family of 7 | | | |

For loan amounts of \$80,000 and above

| Family Size | Northeast | Midwest | South | West |
|-------------|---|---------|---------|---------|
| 1 | \$450 | \$441 | \$441 | \$491 |
| 2 | \$755 | \$738 | \$738 | \$823 |
| 3 | \$909 | \$889 | \$889 | \$990 |
| 4 | \$1,025 | \$1,003 | \$1,003 | \$1,117 |
| 5 | \$1,062 | \$1,039 | \$1,039 | \$1,158 |
| Over 5 | Add \$80 for each additional member up to a family of 7 | | | |

KEY TO GEOGRAPHIC REGIONS USED IN THE PRECEDING TABLES

| | | | |
|------------------|---|--|--|
| Northeast | Connecticut Maine Massachusetts New York | New Hampshire New Jersey Vermont | Pennsylvania Rhode Island |
| Midwest | Illinois Indiana Iowa Kansas Nebraska | Michigan Minnesota Missouri | North Dakota Ohio South Dakota |
| South | Alabama Arkansas Delaware District of Columbia Florida Georgia | Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma | Puerto Rico South Carolina Tennessee Texas Virginia West Virginia |
| West | Alaska Arizona California Colorado Wyoming | Hawaii Idaho Montana Nevada | New Mexico Oregon Utah Washington |



FAQs

Does a manufactured home qualify for a 30-year loan?

Yes. However, the manufactured home will have to be permanently installed on a foundation. This includes removal of the tongue and wheels, and anchoring the manufactured home to a masonry perimeter foundation wall with interior masonry mortared piers on concrete footings. The home will also have to be taxed as real estate in the county in which it is set up.

Can a veteran build a home and finance it VA?

Yes. The veteran can hire a builder or act as his/her own general contractor.

Can a VA loan on a house in a Condominium or Planned Unit Development (PUD) be obtained?

Yes. However, if there is a mandatory homeowner's association fee to cover the amenities, certain legal documents establishing the condominium association will have to be submitted to VA for approval prior to guaranty. If HUD has already approved the condominium development, then VA will accept HUD's approval.

PUDs are no longer reviewed and approved by VA. This task is the lender's responsibility.

Are lenders required to ask for "green cards" when one or both applicants may be non-citizens?

Presently, VA has no requirement for lenders to establish legal residency of a party who may not be a citizen.

What documentation is needed when considering potential employment (for example, an active duty person due to be released and planning to start employment)?

In cases where a person is relying on potential employment, the lender must obtain verification of a valid offer of employment. All data pertinent to sound underwriting (procedures, date employment will begin, earnings, etc.) must be included.

Can a lender grant a borrower some or all of the closing costs?

Yes. Some lenders have programs targeted at low to moderate-income borrowers that grant closing costs to borrowers to enable the transaction to be completed. This is not considered a seller's concession and VA has no objections to this type of program.

FAQs



What is VA’s position on “trailing spouses”?

Trailing spouse issues should be treated on a case by case basis. For example, if the spouse of an active duty member who gets transferred is a physician, it is reasonable to assume she or he will be able to quickly generate employment income at the new location. However, most cases will not be as obvious as this and will need to be looked at on their own merits.

If a reservist fails to complete six years in the Selected Reserves, but is later determined to have incurred a service-connected disability, is home loan eligibility established?

No. Unless the individual is specifically discharged due to a service-connected disability, eligibility is not established.

Is a veteran exempt from the funding fee if his/her compensation is being withheld to pay a debt (overpayment, etc.)?

Yes. In cases like this, the veteran is considered to be in receipt of compensation. It is merely being redirected temporarily to liquidate a receivable.

Is a veteran still exempt from the funding fee if recalled to active duty?

No. The veteran stops receiving disability compensation when called back to active duty. The requirement for exemption from the funding fee is that the veteran is “in receipt” of disability compensation. After discharged from the call-up, the veteran will again have to apply for disability compensation.

Is a “General” discharge acceptable for a person establishing eligibility based on six years’ service in the Reserves/National Guard?

No. The law states the person must have received an “Honorable” discharge. This is different from service in the “regular” military where a discharge or release only has to be under other than dishonorable conditions.

In joint loan cases where the parties are not married and one wishes to convey his/her interest to the other party, does the lender or VA process the assumption?

The lender, if they have automatic authority, must process these cases. If the parties had been married and title was being transferred as a result of dissolution of marriage (i.e. divorce), lender processing would not be allowed. In those cases, the parties have the option of applying directly to VA for any desired release of liability.



FAQs

Does VA still use maintenance and utility charts for each state?

No. The calculation for maintenance and utilities is now 14 cents a square foot, all inclusive, nationwide.

Can a “Cash-Out” refinance loan, with a subordinated second mortgage exceed VA’s 90 percent loan limit?

Yes, as long as the VA “first” mortgage does not exceed 90 percent and the second lien holder agrees to subordinate.

When can the borrower receive cash at a closing from an Interest Rate Reduction Refinance Loan?

An IRRRL cannot be used to take equity out of the property or pay off debts, other than the VA loan being refinanced. The general rule is that the borrower cannot receive cash proceeds from the loan. However, the veteran may be reimbursed for energy efficient modifications made to the home within 90 days of closing the IRRRL.

Is a new loan number required for an IRRRL?

Yes. Do not use the old VA case number. When ordering a number in TAS, select "requester" then "assignment" then "loan number only". Make sure the new VA case number is higher than the old VA case number.

Is a CAIVRS screening required for an IRRRL?

Yes. A CAIVRS screening is required for all VA guaranteed loans.



Notes
